



HAMPTON VA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF HAMPTON, VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF HAMPTON, VIRGINIA

For the Fiscal Year Ended June 30, 2016

Prepared by:

Karl S. Daughtrey, Director of Finance

Jacqueline Green, Deputy Director of Finance, Controller

and

The Department of Finance

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June 30, 2016**

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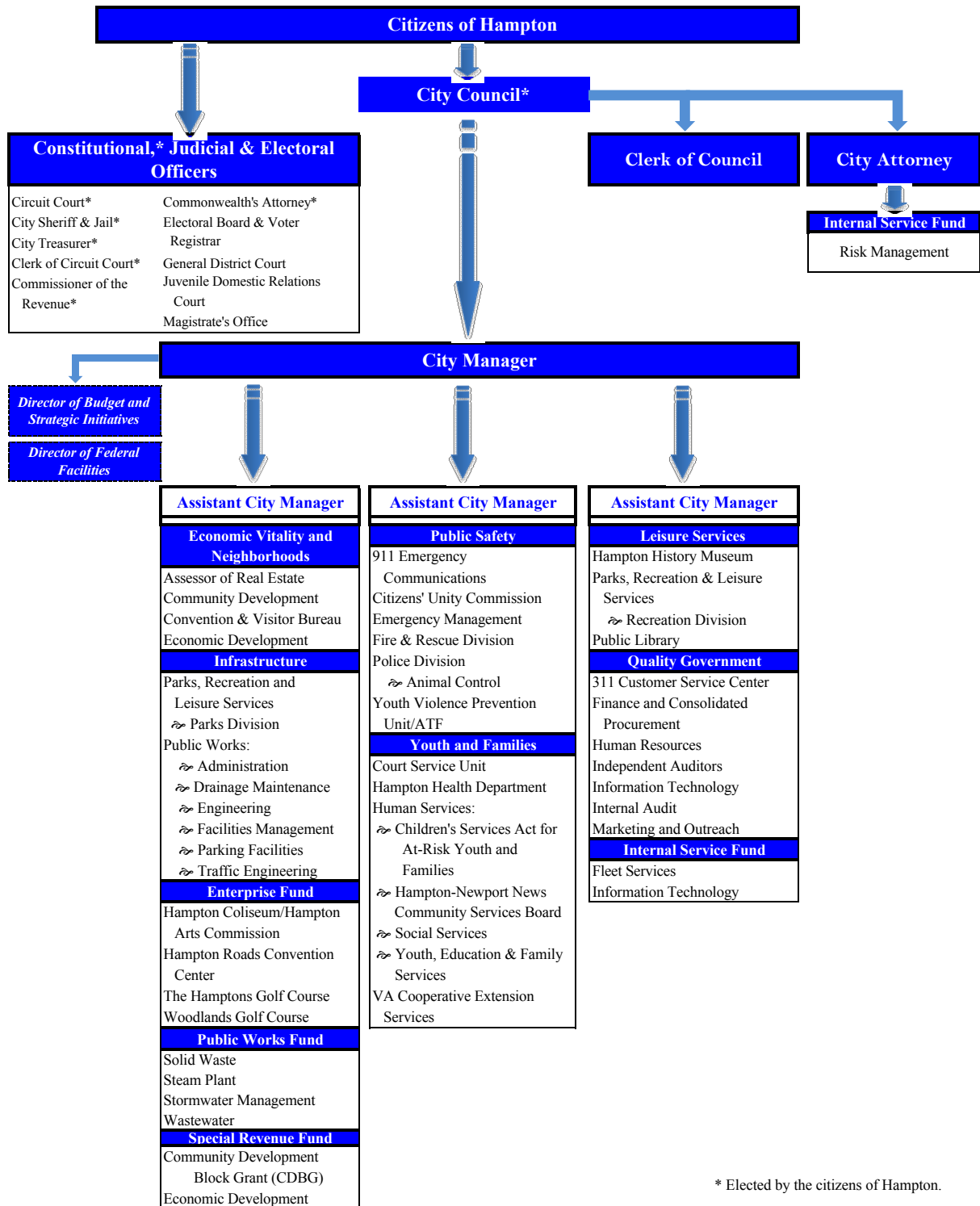
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JUNE 30, 2016 ORGANIZATIONAL CHART



* Elected by the citizens of Hampton.

CITY OF HAMPTON, VIRGINIA
June 30, 2016

ELECTED OFFICIALS

CITY COUNCIL

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

CONSTITUTIONAL OFFICERS

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

APPOINTED OFFICIALS

CITY ADMINISTRATION

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

**CITY OF HAMPTON, VIRGINIA
June 30, 2016**

SCHOOL BOARD

Phyllis Taylor Henry
Linwood D. Harper
Jason S. Samuels

Martha Mugler, Chair

Carolyn Bowers, Clerk of the Board

Joseph C. Kilgore
William Pearson, Vice Chair
Monica J. Smith

SCHOOL ADMINISTRATION

Dr. Jeffery Smith - Superintendent
Dr. John Caggiano - Deputy Superintendent for Curriculum and Instruction
Suzanna Scott - 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
Anne Bane, Director of Community and Legislative Relations
Dr. Cynthia L. Cooper, Executive Director of Research, Planning and Evaluation
Diana Gulotta, Executive Director of Public Relations and Marketing
Robbin Ruth - Executive Director of Human Resources
Carolyn Bowers, Clerk of the School Board

HAMPTON EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES

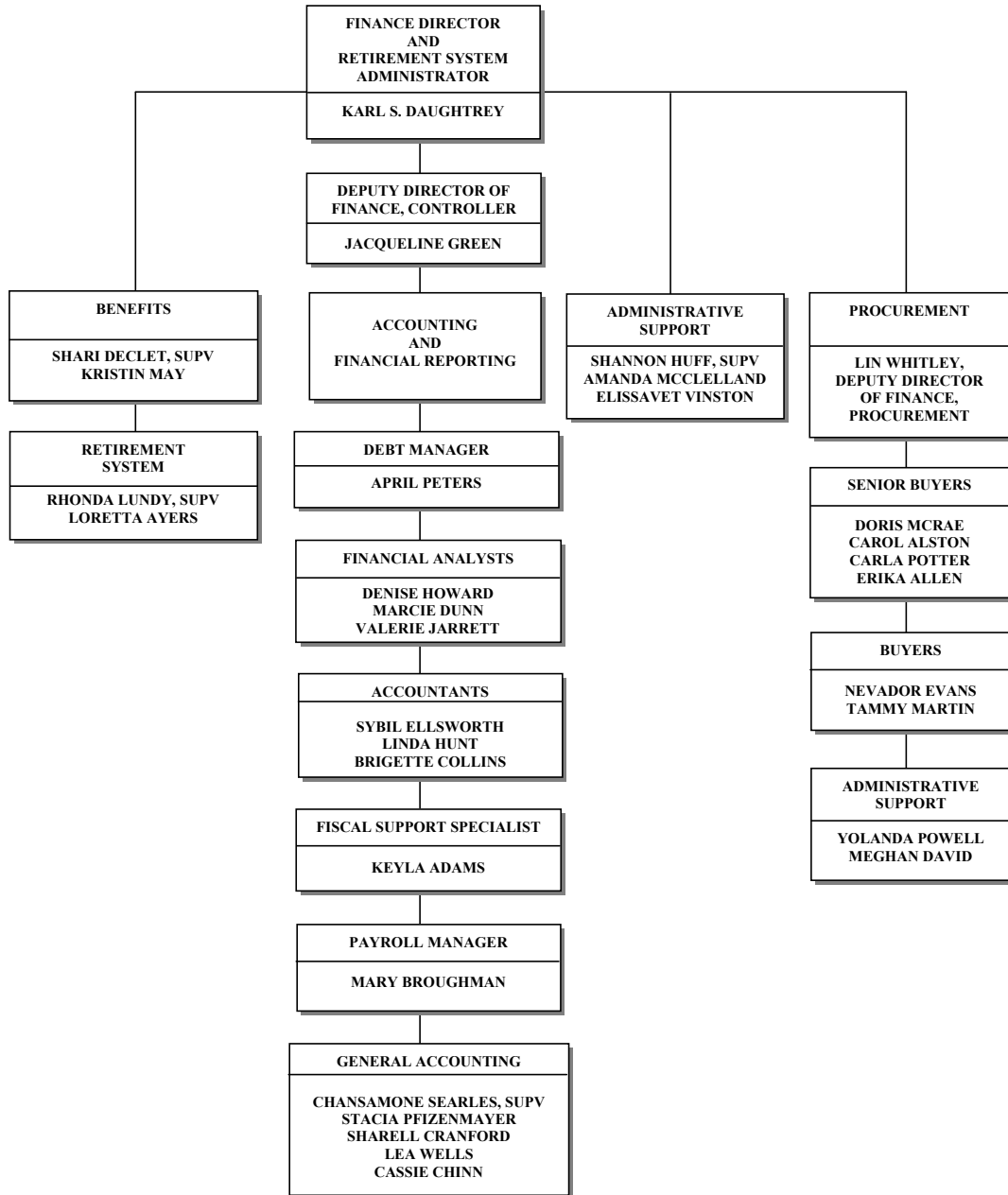
James A. Peterson, Vice Chairman
Karen James, Legal Counsel
Mary S. Ange
Michael Monteith
Patricia McFadden

Andrew G. Womble, Jr., Chairman

David J. Sanders
Suzanna Scott
William H. Benson, Jr.
James T. Wilson

Karl S. Daughtrey, Administrator and Treasurer
Rhonda Lundy, Secretary

**CITY OF HAMPTON, VIRGINIA
DEPARTMENT OF FINANCE
June 30, 2016**



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November 30, 2016

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, 2016. State law requires the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with Government Auditing Standards by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and the report does comply with state law and guidelines of the Auditor of Public Accounts of the Commonwealth of Virginia.

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

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

State law requires that the financial statements of the City be audited by a certified public accountant. Cherry Bekaert LLP, Certified Public Accountants have audited the City's financial statements. As a result of an audit of the City's financial records and transactions of all funds, component units and departments of the City, Cherry Bekaert LLP has concluded that the financial statements are in compliance with generally accepted accounting principles and have issued an unmodified opinion on the City of Hampton's financial statements for the year ended June 30, 2016. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the City

Background

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

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

As of the July 1, 2015, current estimated population in Hampton was 138,626.

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 2016, several awards and recognitions were received by the City of Hampton. They are listed below:

- The Hampton Division of Fire and Rescue was awarded Accredited Agency status by the Commission on Fire Accreditation (CFAI) for meeting the criteria established through the CFAI's voluntary self-assessment and accreditation program. The Hampton Division of Fire and Rescue is now one of only 220 agencies worldwide, with 11 others in Virginia, to achieve internationally Accredited Agency status with the CFAI and the Center for Public Safety Excellence, Inc (CPSE). Of further note, the City of Hampton is currently the only combination fire and rescue agency in the Commonwealth that is fully accredited and holds an ISO-1 rating.
- The City's Budget Department received the Government Finance Officers Association Distinguished Budget Presentation Award for the FY16 Budget document.
- For the fourteenth time Hampton was named as one of the most technologically-advanced cities in the nation by the Center for Digital Government in 2015. The survey focuses on results achieved by cities through the use of technology in operating efficiencies, realizing strategic objectives, innovative or creative solutions or approaches, effective collaboration and transparency measures.

Budgetary Systems

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

Component Units

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

Economic Conditions and Outlook

Local Economy

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

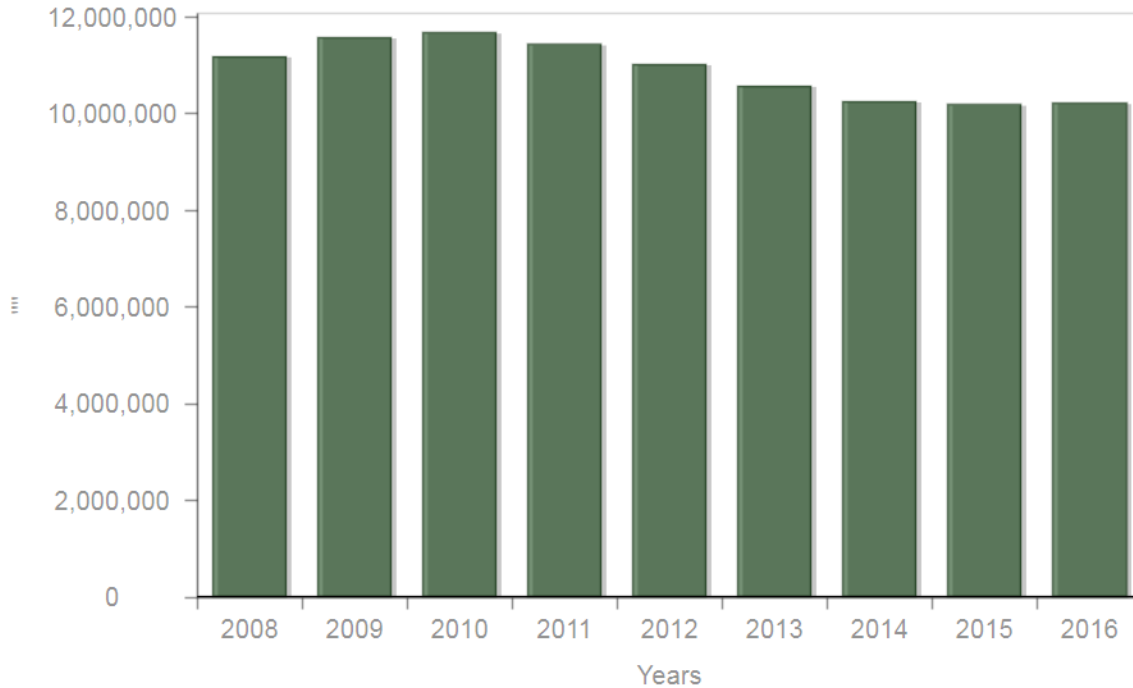
The City's strategic location and economic development activities offer its residential civilian labor force a wide range of employment opportunities. Hampton businesses draw from the largest regional workforce between Washington, D.C. and Atlanta, with over 824,000 highly educated, skilled, and technically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

The effects of the economic downturn continue to impact the national, state, and regional economies. The federal government's budget sequestration also continues to be a drag on the region due to the large federal presence in the area. However, Hampton Roads is continuing to gradually recover with the region's economy, as measured by Gross Regional Product, expanding at a rate of 1.1% percent in 2015. The other legs of the regional economic stool, the tourism industry and the port, are seeing positive growth. Port growth has been a bright spot with General Cargo Tonnage increasing 4.8% from 2014 to 2015, while growth in the tourism industry has been solid with hotel revenue increasing 6.5% over the past year. Employment growth continues to be sluggish with civilian employment jobs increasing 0.9%. The region's unemployment rate has come down from 5.5% to 4.5%, compared to the 5.1% national rate. Hampton's unemployment rate has decreased to 5.4% as of June 2016, versus 6.3% last year.

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

It also appears that the real estate market is beginning to stabilize after years of decline. For the second consecutive year, we have experienced an increase in real estate assessments. We are starting to see some stabilization in assessments driven by commercial and multifamily properties.

Assessed Value of Taxable Real Property
In Thousands



Economic Development

The City is home to two institutions of higher education: Hampton University and Thomas Nelson Community College. Hampton University has been educating scholars and leaders for over 140 years. Hampton University provides a broad range of technical, liberal arts, pre-professional, professional, and graduate degree programs and has over 6,000 students enrolled. It is located in Hampton Virginia's downtown area on the waterfront. The University is ranked among the top southern universities in the regional university category in the *2016 U.S. News and World Report – Best Colleges* rankings.

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

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

The private sector accounted for more than \$73 million in new investment in the City (\$11.2 million in commercial and industrial investment and \$62.6 million in retail investment). It is also important to note that the commercial and industrial investments resulted

in 404 new jobs being created.

Hampton's newest retail development will take the aging Riverdale shopping center and reposition it into a shopping destination known as Riverpointe. The \$60 million redevelopment will include both new construction and rehabilitation of a 51 acre center. The development is a joint venture of Southeastern Development Associates and the Kroger Company. The center will be anchored by a 123,000 square foot Kroger Marketplace and a 91,000 square foot At Home Store.

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

The following charts highlight some of the fiscal year 2016 economic development activity:

New Business

IV Watch
Atlantic Railing Inc.
Prillaman Crane & Rigging
3 Perez LLC
Oozlefinch Craft Brewing
Verizon Wireless

Sector

Medical Equipment
Manufacturing
Construction
Restaurant
Craft Brewery
Retail

Expansion Business

TE Connectivity
Shred-it-USA
Aldi
Lidl

Sector

Manufacturing
Distribution
Grocer
Grocer

Military, Federal Research Facility and Veterans Medical Center

Langley Air Force Base celebrates 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 9,500 military personnel and approximately 3,250 civilian employees with a combined payroll of over \$697 million. For the fiscal year 2013-2014, Langley Air Force Base's economic impact analysis stated the base had a total economic impact of \$1.1 billion to the local community. Over the last two years investments at Langley Air Force Base totaled \$7.6 million for design work and \$62.1 million for construction. In addition, starting in early 2017, the base will begin the construction of a new fuel pier and hospital addition at an estimated cost of \$69.1 million. Furthermore, Langley will welcome the Virginia Air National Guard CYBER mission in 2017 adding upwards of 70 new jobs on the installation.

The National Aeronautics and Space Administration's NASA Research Center is located in Hampton adjacent to Langley Air Force Base. The Center is an important national resource serving inherent government functions such as aeronautics, science, space technology, human space exploration, climate research and the air transportation system. NASA Langley Research Center's Revitalization Strategy continues to make strong progress with their first 2 new buildings (HQ and Integrated Engineering Services Building) outperforming their design metrics and providing the Agency with outstanding capability. In 2017, NASA Langley will open the \$26 million Katherine G. Johnson Computational Research Facility and break ground on the \$95 million Measurement Systems Laboratory. Both new facilities will provide the Agency, Langley Research Center and the local Community with outstanding new

R&D capability to answer the future challenges of the Nation. In 2016, Langley employed 3,600 people. Approximately 1,900 were civil service employees and 1,700 were private-sector employees working on or near-site for companies that were contracted to provide support for NASA. NASA covers 788 acres with 166 buildings with a replacement value of \$3.5 billion. The Virginia Air and Space Center, located in downtown Hampton, serves as the official welcome center for NASA Langley. NASA Langley's economic output to Virginia was nearly \$1.1 billion which generated over 10,000 jobs throughout the Commonwealth of Virginia and Hampton Roads region in fiscal year 2015. Its impact on the Hampton Roads region was \$782 million supporting approximately 5,600 jobs. NASA Langley is celebrating its Centennial in 2017. Throughout 2017, NASA Langley will host a variety of events to celebrate this auspicious milestone.

The Hampton Veterans Affairs Medical Center (HVAMC) is located on 85 acres with 45 significant buildings. The center is undergoing \$50 million in capital improvements and has increased clinical space by more than 67,000 square feet, with the opening of the Chesapeake Community Based Outpatient Clinic. 28% of Hampton VAMC's 1800 staff members are residents of the City of Hampton with an operating budget of \$300 million. They are the fastest growing VA Medical Center in the Nation serving a population over 400,000. Veteran enrollment has increased by 27.2% in the past five years. More than 400 Housing and Urban Development VA supported housing vouchers have been made available to house homeless Veterans in the City of Hampton.

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)
	2016	2015	
Revenues and Other Financing Sources:			
General Fund	\$326,862	\$317,220	3.04
School Operating	124,057*	123,849*	0.17
Total	450,919	441,069	2.23
Expenditures and Other Financing Uses:			
General Fund	253,892*	244,565*	3.81
School Operating	195,295*	197,160*	(0.95)
Total	(449,187)	(441,725)	1.69
 Net change to fund balance	 <u>\$1,732</u>	 <u>\$(656)</u>	

*Excludes payments between the General Fund and School Operating Fund

The General Fund revenues and other financing sources increased by approximately \$9.6 million or 3.04% when compared to fiscal year 2015. The personal property tax rate was increased by City Council from \$4.25 to \$4.50 per \$100 of assessed values effective January 1, 2015. Personal property tax revenues increased by \$1.98 million over the previous fiscal year as a result of the rate increase and from growth in assessments. Real property tax collections increased by approximately \$0.6 million from an increase in assessments. In the other local taxes category, revenues increased by \$2.5 million. Meal taxes, sales and use and recordation taxes grew by \$.6 million, \$.3 million, and \$.3 million, respectively. Also, tobacco taxes increased by \$.5 million due to a rate increase from \$0.80 cents per pack to \$0.85 cents per pack in fiscal year 2016. Special assessment taxes increased by \$2.2 million as a result of the collection of delinquent assessments from previous years. Revenues from the Commonwealth increased by \$1.56 million primarily as a result of the City not having to absorb any revenue budget cuts from the Commonwealth in fiscal year 2016. In fiscal year 2015, the

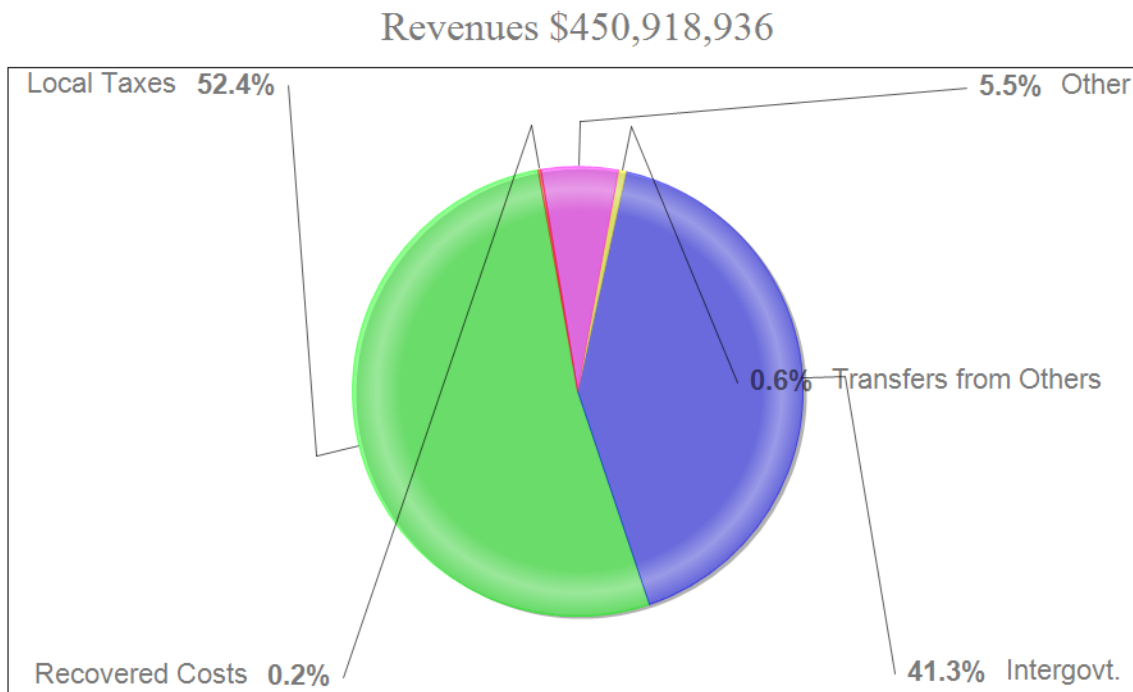
City had to return \$678,208 to the Commonwealth for the City's share of state budget cuts to localities.

General Fund expenditures increased by approximately \$9.3 million or 2.9% when compared to fiscal year 2015 in the categories of general government, public safety, human services and transfers out to other funds. A general wage increase of 3% and implementation of a pay-scale adjustment for employees which became effective in January 2016 contributed to \$2.9 million of this increase. Special assessment expenses were \$1.6 million more than the budgeted amount; however, since this expense is a pass-through to other agencies, the expense results in a corresponding increase in revenues. Transfers to the Capital Projects Fund increased by \$3 million due primarily to increased activity in the Coliseum Central Strategic projects and the Self Contained Breathing Fire Equipment project.

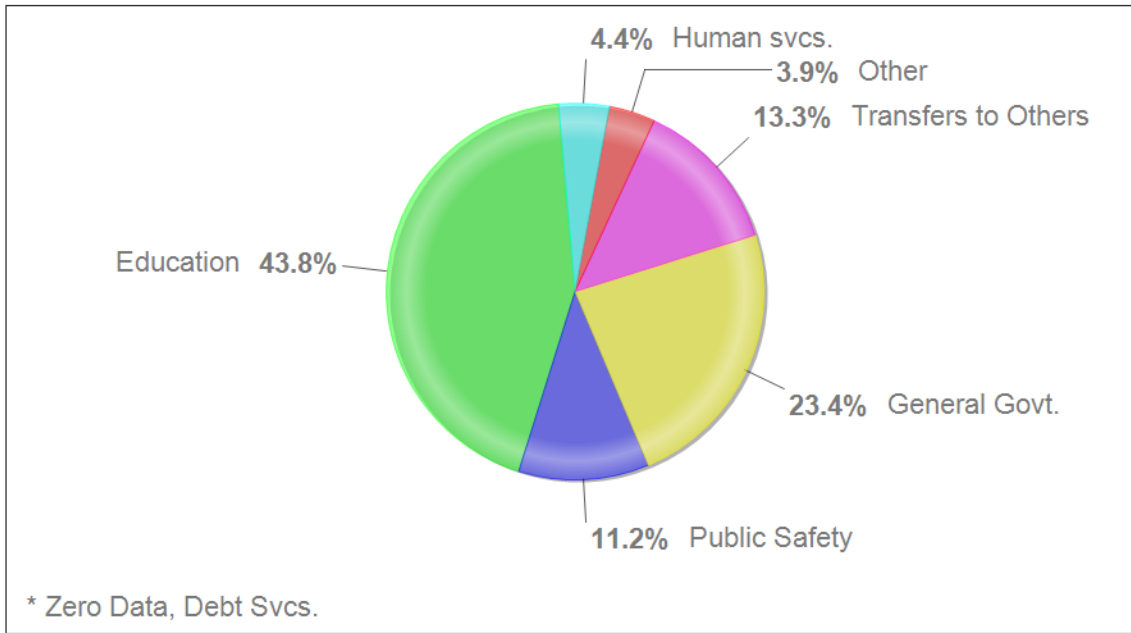
The School Board Operating Fund revenues increased by approximately \$206,000 or .11% over fiscal year 2015. State revenues increased by \$168,000. This increase resulted from an increase in student enrollment by 43 students from a total student population of 19,500 to 19,543. The largest state revenue increases were in salary supplements (\$1 million) and sales taxes (\$.375 million). The School Board experienced decreases in state revenues for Basic Aid (\$.739 million), Virginia Retirement System (\$.277 million), K-3 Primary (\$.90 million), Special Education (\$.75 million) and Social Security Benefits (\$.26 million). The increase in federal revenues of \$.53 million is due to an increase in Impact Aid. The decrease in miscellaneous revenues is due to a decline in public surplus revenues.

The School Board Operating Fund expenditures decreased by \$1.8 million or .91% over fiscal year 2015 due mainly to a decrease in spending for technology, instruction and operation and maintenance. Expenditures for public transportation, administration/attendance and health increased from fiscal year 2015 to 2016. Technology expenditures decreased by approximately \$1.6 million. The decrease in technology expenditures was due primarily to a reduction in purchasing of computers and iPads. The expenditures for instruction and operation and maintenance decreased by approximately \$.572 million and \$.376 million, respectively. Instruction costs decreased due to a slight decline in supplies purchased in fiscal year 2016. Operation and maintenance expenditures decreased due to a reduction in contractual services. Administration, attendance and health expenditures increased by \$.430 million and public transportation expenditures increased by \$.331 million from 2015 to 2016.

The graphs of the 2016 General Fund and School Operating Fund revenues and expenditures are as follows:



Expenditures \$449,186,643



Long Term Financial Planning

In the years 2016-2020, \$211.3 million is scheduled for City and School projects. The following summarizes these projects:

- Education \$37.3 million
- Hampton’s Waterways \$26.3 million
- Maintenance of Public Properties \$61.5 million
- Master Plans \$12.0 million
- Neighborhood Support \$2.0 million
- Other Economic Development Support \$2.4 million
- Other CIP Projects \$9.9 million
- Public Safety \$13.2 million
- Streets and Infrastructure \$46.7 million

Financial Policies

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

1. Debt Policy Limit. (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, 2016, general obligation debt totaled \$251 million or 2.46% 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, 2016, this would amount to \$430 million or 4% of the assessed value of all taxable real and personal property which was within the policy parameter.

(c) Debt of certain special purpose entities, such as community development authorities, shall not exceed 1% of the assessed value of all real and personal property subject to taxation within the City. At June 30, 2016, this would amount to \$94.5 million or .83% 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, 2016, this would amount to \$37 million or 8.4% 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 2026 that was outstanding as of June 30, 2016.

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, 2016, capital expenditures were \$16 million which is 4.8% 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, 2016 through 2020, the City plans to use 39.8% 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, 2016 was \$54.3 million or 12.1% of actual revenues.

The City is in compliance with the Financial Policy Guidelines.

Credit Ratings

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

Major Initiatives and Accomplishments

Fort Monroe

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

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

was completed in 1834.

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

Fort Monroe was identified for closure by the 2005 Base Realignment and Closure Commission and was closed by the Army on September 15, 2011. Since that time, the Commonwealth of Virginia and City of Hampton have been preparing for closure and reuse of the Fort to mitigate the impact of the lost economic activity from the closure. Approximately 371 of the 565 acres of the property automatically reverts to Commonwealth ownership based on deed language when it was originally conveyed to the federal government in the 1800s. The Commonwealth and Army are in negotiations over the disposition of the "non-reversionary" acres. As part of the State's partnership with the City, it was agreed that the City would receive a Payment In Lieu Of Taxes (PILOT) to cover the costs of City services that Hampton provides to state controlled property at Fort Monroe. The PILOT is based on the City's real estate tax assessment and tax rate as if it were any other private property in the City, but excludes any property owned by the federal government or used by the City.

The key priority of the City and Commonwealth has been to keep a living and vibrant community throughout the transition. On November 1, 2011, President Barack Obama took action to declare 245 acres of Fort Monroe a National Monument that will be managed by the National Park Service. Studies have shown the presence of a National Park increased the value of surrounding properties approximately 20%. Coupled with the history of Fort Monroe, the presence of the national park will also generate tourism to the City. The Fort Monroe Authority has also been successfully renting out the historic homes and has attracted some commercial tenants as well. Most of the existing developed area of the Fort will be subject to the PILOT and, in essence, be added to the City's tax rolls. 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, 2015.

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

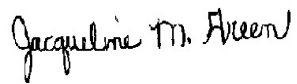
Acknowledgments

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

Respectfully submitted,

Handwritten signature of Karl S. Daughtrey in purple ink.

Karl S. Daughtrey
Director of Finance

Handwritten signature of Jacqueline M. Green in black ink.

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, 2015

Executive Director/CEO

Report of Independent Auditor

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hampton, Virginia (the "City"), as of and for the year ended June 30, 2016, 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 1.4% and 0.3%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Hampton Development Partnership, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The financial statements of the Downtown Hampton Development Partnership, Inc. were not audited in accordance with *Government Auditing Standards and the Specifications of Audits of Counties, Cities and Town*, 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.

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Reclassification

As described in Note 16 to the financial statements, effective July 1, 2015, the City reclassified the Net OPEB obligation for the line of duty program from the Risk Management Fund to the General Fund and Governmental Activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") and additional required supplementary information other than MD&A, as presented 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 in Exhibits B – G, supplementary information in Schedules 1 – 15 and the statistical section in Tables I – XVI, as presented in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards in Schedule 5 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 in Exhibits B – G and the supplementary information in Schedules 1 – 15 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual statements in Exhibits B – G and the supplementary information in Schedules 1 – 15 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section in Tables I – XVI have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the City of Hampton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hampton's internal control over financial reporting and compliance.

Cheryl Bekart LLP

Virginia Beach, Virginia
November 30, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hampton's (City's) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the City's financial performance during the fiscal year ended June 30, 2016. 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 \$1.9 million (Exhibit A-4) after making a \$71.1 million payment to Hampton City Schools, \$15.9 million transfer to Capital Projects, \$8.2 million transfer to Enterprise Funds, \$1.9 million to Special Revenue Funds and \$33.2 million to Debt Service Fund.
- On a government-wide basis for governmental activities, the City's net position increased by \$8.4 million (Exhibit A-2).
- In the City's business-type activities, on a government-wide basis, net position increased by \$6.4 million (Exhibit A-2).
- The City's net position, excluding component units, on the government-wide basis, totaled \$681.9 million at June 30, 2016. Of this amount, \$(83.2) 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, 2016 and 2015

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2016	2015	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 201,873	\$ 231,956	\$ 57,516	\$ 52,941	\$ 259,389	\$ 284,897	\$ 45,845	\$ 50,741
Capital assets	885,362	878,238	149,282	152,564	1,034,644	1,030,802	28,164	29,487
Deferred outflows of resources	27,838	26,215	6,623	6,647	34,461	32,862	21,554	20,086
Total assets and deferred outflows of resources	1,115,073	1,136,409	213,421	212,152	1,328,494	1,348,561	95,563	100,314
Current liabilities	71,660	73,915	7,306	8,257	78,966	82,172	20,364	26,141
Long-term liabilities	450,752	468,162	101,199	104,511	551,951	572,673	221,186	222,531
Deferred inflows of resources	14,589	24,658	1,063	1,883	15,652	26,541	22,728	28,580
Total liabilities and deferred inflows of resources	537,001	566,735	109,568	114,651	646,569	681,386	264,278	277,252
Net position								
Investment in capital assets	637,860	634,537	70,137	70,321	707,997	704,858	28,163	29,487
Restricted	49,062	75,606	8,037	8,031	57,099	83,637	1,424	1,467
Unrestricted (deficit)	(108,850)	(140,469)	25,679	19,149	(83,171)	(121,320)	(198,302)	(207,892)
Total net position	\$ 578,072	\$ 569,674	\$ 103,853	\$ 97,501	\$ 681,925	\$ 667,175	\$ (168,715)	\$ (176,938)

The City's combined net position (which is the City's bottom line) increased by \$14.7 million in fiscal year 2016 which approximately 8.4% represents resources that are subject to external restrictions. Net investment in capital assets represents 104% 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 \$(83.2) million.

Table II
Summary of Changes in Net Position (In Thousands)
For the Fiscal Years Ended June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenue:								
Program Revenue								
Charges for service	\$ 33,587	\$ 31,207	\$ 45,717	\$ 44,552	\$ 79,304	\$ 75,759	\$ 5,950	\$ 7,239
Operating grants and contributions	80,113	80,281	1,236	1,256	81,349	81,537	144,705	145,225
Capital grants and contributions	13,172	7,153	510	58	13,682	7,211	458	711
General revenues								
Property taxes	158,147	156,048	-	-	158,147	156,048	-	-
Other taxes	78,365	75,826	-	-	78,365	75,826	-	-
Other	574	227	887	946	1,461	1,173	77,118	73,161
Total revenues	<u>363,958</u>	<u>350,742</u>	<u>48,350</u>	<u>46,812</u>	<u>412,308</u>	<u>397,554</u>	<u>228,231</u>	<u>226,336</u>
Expenses								
General government	111,928	105,553	-	-	111,928	105,553	6,348	5,575
Public safety	70,781	72,324	-	-	70,781	72,324	-	-
Highways and streets	18,872	14,433	-	-	18,872	14,433	-	-
Sanitation	-	-	24,020	23,829	24,020	23,829	-	-
Health	1,214	3,528	-	-	1,214	3,528	-	-
Human services	32,459	33,234	-	-	32,459	33,234	-	-
Culture and recreation	17,496	18,356	26,527	29,741	44,023	48,097	-	-
Education - payment to school board	71,112	71,112	-	-	71,112	71,112	-	-
Educational	15,096	14,479	-	-	15,096	14,479	213,660	220,727
Interest on long-term debt	8,053	8,579	-	-	8,053	8,579	-	-
Total expenses	<u>347,011</u>	<u>341,598</u>	<u>50,547</u>	<u>53,570</u>	<u>397,558</u>	<u>395,168</u>	<u>220,008</u>	<u>226,302</u>
Increase (decrease) in net position before transfers	16,947	9,144	(2,197)	(6,758)	14,750	2,386	8,223	34
Transfers	(8,549)	(9,106)	8,549	9,106	-	-	-	-
Increase in net position	8,398	38	6,352	2,348	14,750	2,386	8,223	34
Net position, July 1	569,674	569,636	97,501	95,153	667,175	664,789	(176,938)	(176,972)
Net position, June 30	<u>\$ 578,072</u>	<u>\$ 569,674</u>	<u>\$ 103,853</u>	<u>\$ 97,501</u>	<u>\$ 681,925</u>	<u>\$ 667,175</u>	<u>\$ (168,715)</u>	<u>\$ (176,938)</u>

GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2016, revenues from governmental activities totaled \$364 million. Revenues from governmental activities increased by \$13.2 million; primarily in capital grants and contributions. Capital grants and contributions totaled \$13 million, an increase of \$6 million over the prior year. The majority of funding in capital grants and contributions consists of federal and state funding for various road projects throughout the City.

Property taxes, the City's largest revenue source, were \$158 million, increasing \$2.1 million over fiscal year 2015 as a result of a rate increase for personal property taxes effective January 1, 2015. Program revenues for governmental activities totaled \$127 million. Program revenues are derived from the program itself and reduce the cost of the function to the City. One of the most significant of these revenues is the revenue category "Operating Grants and Contributions." These revenues totaled \$80.1 million for the year ended June 30, 2016 which is in line with the previous year.

The other taxes revenue category, which includes taxes on general sales, utilities purchases, cigarettes, hotel rooms, restaurant meals, amusements, and business and automobile licenses, totaled \$78.4 million, an increase of \$2.5 million over fiscal year 2015. The cigarette tax rate increased in fiscal year 2016 from \$.80 cents per pack to \$.85 cents per pack resulting in \$.547 million additional revenue. Motor vehicle tax, sales and use tax, and meal tax increased \$.126 million, \$.318 million and \$.600 million, respectively. In addition, \$.765 million in business license taxes were refunded in fiscal year 2015.

For the fiscal year ended June 30, 2016, expenses for governmental activities, excluding transfers, totaled \$347 million, an increase of \$5.4 million over the previous year. The majority of this occurred in the general government, public safety, and human services categories primarily due to a three percent general wage increase for employees combined with pay scale changes from the compensation study.

BUSINESS-TYPE ACTIVITIES

Business-type activities generated revenues of \$48.3 million, an increase of \$1.5 million when compared to the previous year. The majority of this change is attributed to a \$1 million increase in charges for services and a \$.45 million increase in capital grants and contributions revenues. The Solid Waste Fund experienced a \$4.2 million increase in revenues over the prior year resulting from the \$1.63 increase in the weekly residential solid waste user fee for recyclers. The Coliseum Fund reflected a decrease in charges for services totaling \$3.7 million due to fewer shows held in fiscal year 2016. The Refuse-Steam Plant experienced growth in steam plant usage fees and steam sales totaling \$.448 million and \$.200 million, respectively. Expenses for business-type activities totaled \$50.5 million, a decrease of \$3 million when compared to the previous year. The majority of this decrease is reflected in the culture and recreation category. The Coliseum Fund experienced a \$2 million decrease in promoter fees also due to fewer shows held in fiscal year 2016.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund's fund balance increased by \$1.9 million over fiscal year 2015. This increase is primarily due to unexpended appropriations for the year, primarily in the funding of uncompleted capital projects that were carried forward to fiscal year 2017 and from revenues exceeding the budget.

The Capital Projects Fund reflected a decrease in fund balance of \$29.9 million. This decrease in fund balance resulted from an increase in expenditures for capital projects that were funded by general obligation bonds issued in previous years.

The fund balance in the Stormwater Fund grew by \$1.2 million due to an increase in commercial fees from \$6.99 per 2,429 sq. ft. of impervious area per month to \$7.83 per 2,429 sq. ft. of impervious area per month. Residential fees also increased from \$6.99 per month to \$7.83 per month.

The Risk Management Fund net position increased by \$3.4 million. The net position was restated for \$2.1 million as a result of transferring the net OPEB Obligation for the line of duty program to the Governmental Activities.

The Solid Waste Fund experienced an increase in net position totaling \$2.6 million. This increase is due to an increase in the residential solid waste user fee in fiscal year 2016 for recyclers, from \$4.25 per week to \$5.88 per week.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City Council revised the budget on several occasions. City Council appropriated \$14.1 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 2015 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, the remaining budget savings of \$2 million was rolled from fiscal year 2015 to fiscal year 2016. City Council adopted a budget savings program whereby departments will retain 65 percent of their end of the fiscal year budget savings, 10 percent will be put into an innovations pool and \$415,000 will be designated for drainage projects. In addition, the City reappropriated grant, donation, and other revenues.

Actual expenditures and transfers were \$12.9 million below the final budget. A significant amount of this variance (\$5.1 million) occurred in the general government function, specifically in non-departmental in the amount of \$1.1 million and retirement and employee benefits in the amount of \$1.7 million. Also contributing to this variance was unused budget savings under the City's budget savings program of \$2 million. A \$5.4 million variance was noted in transfers to other funds. The majority of this variance occurred from projects in the Capital Projects Fund that were at various stages of completion. Typically, funding for these projects is appropriated in the subsequent fiscal year.

Revenues came in at \$3.4 million over budget. This is primarily due to general property taxes tracking above budget by \$1.4 million due to unanticipated supplemental assessment increases for multi-family and commercial properties. Special Assessments exceeded the budget by \$1.6 million as a result of collections of past due assessments; however, since this revenue is a pass-through to other agencies, the revenue is offset by a corresponding increase in expenditures.

CAPITAL ASSETS

The total increase over fiscal year 2015 in the City's investment in capital assets for the current fiscal year is \$3.8 million. At the end of fiscal year 2016, the City had invested over \$1 billion in a variety of capital assets and infrastructure, as reflected in the following schedule:

Table III Capital Assets (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Non-depreciable assets:						
Land and land improvements	\$ 523,582	\$ 522,896	\$ 11,067	\$ 10,803	\$ 534,649	\$ 533,699
Easements	1,432	1,341	29	29	1,461	1,370
Construction in progress	20,319	50,629	329	3,712	20,648	54,341
Other capital assets:						
Buildings and improvements	196,873	168,816	139,733	138,785	336,606	307,601
Improvements other than buildings	74,648	71,923	35,695	34,985	110,343	106,908
Equipment and vehicles	84,927	81,433	27,669	25,728	112,596	107,161
Exhibits	-	-	14,608	14,432	14,608	14,432
Landfill	-	-	3,866	3,866	3,866	3,866
Infrastructure	200,409	182,031	70,332	67,160	270,741	249,191
Computer software	1,143	1,322	354	344	1,497	1,666
Other assets	4,218	4,218	-	-	4,218	4,218
Accumulated depreciation	(222,189)	(206,371)	(154,400)	(147,280)	(376,589)	(353,651)
Total	<u>\$ 885,362</u>	<u>\$ 878,238</u>	<u>\$ 149,282</u>	<u>\$ 152,564</u>	<u>\$ 1,034,644</u>	<u>\$ 1,030,802</u>

	School Board		Economic Development Authority		Coliseum Central Business Improvement District, Inc.	
	2016	2015	2016	2015	2016	2015
Component Units						
Non-depreciable assets:						
Land and land improvements	\$ 5,111	\$ 5,111	\$ 15,803	\$ 15,803	\$ -	\$ -
Other capital assets:						
Buildings and improvements	48,963	48,963	-	-	-	-
Improvements other than buildings	310	310	-	-	-	-
Infrastructure	-	-	2,049	2,049	-	-
Computer software	-	-	-	-	5	5
Equipment and vehicles	40,854	42,386	-	-	141	147
Accumulated depreciation	(83,964)	(84,308)	(1,271)	(1,169)	(125)	(119)
Total	<u>\$ 11,274</u>	<u>\$ 12,462</u>	<u>\$ 16,581</u>	<u>\$ 16,683</u>	<u>\$ 21</u>	<u>\$ 33</u>

Component Units	Downtown Hampton		Total Component Units	
	2016	2015	2016	2015
Non-depreciable assets:				
Land and land improvements	\$ -	\$ -	\$ 20,914	\$ 20,914
Other capital assets:				
Buildings and improvements	-	-	48,963	48,963
Improvements other than buildings	-	-	310	310
Infrastructure	447	438	2,496	2,487
Computer software	9	9	14	14
Equipment and vehicles	99	97	41,094	42,630
Accumulated depreciation	(267)	(235)	(85,627)	(85,831)
	<u>\$ 288</u>	<u>\$ 309</u>	<u>\$ 28,164</u>	<u>\$ 29,487</u>

The capital budget sets forth \$44.5 million to be spent during fiscal year 2017 in various projects including \$7.5 million in school building maintenance and technology projects, \$14.7 million in street and infrastructure projects and \$10.1 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 2016, the City had \$251.1 million in outstanding general obligation bonds and \$79.2 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, 2016, the City's aggregate general obligation indebtedness is \$770 million below this limit.

Table IV
City of Hampton
Change in General Obligation and Revenue Bonds (In Thousands)
June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation bonds	\$ 247,893	\$ 270,230	\$ 3,237	\$ 3,610	\$ 251,130	\$ 273,840
Revenue bonds	-	-	79,205	81,640	79,205	81,640
Unamortized premium	33,067	35,831	9,686	10,322	42,753	46,153
Total primary government	<u>\$ 280,960</u>	<u>\$ 306,061</u>	<u>\$ 92,128</u>	<u>\$ 95,572</u>	<u>\$ 373,088</u>	<u>\$ 401,633</u>

Component Unit - Economic Development Authority

Revenue bonds \$ 4,335 \$ 5,022

NEXT YEAR'S BUDGET

The City's staff and City Council considered many factors when developing the fiscal year 2017 budget, with the economy as one of the major factors. The fiscal year 2017 approved budget for the General Fund is \$463.1 million, a 2.8% increase over fiscal year 2016. The most important priority for the fiscal year 2017 budget was to continue to address compensation by implementing adjustments to address the recommendations from the salary study commissioned in fiscal year 2015. One fee increase was approved in the fiscal year 2017 budget, the Public Right-Of Way Use Fee increased from \$1.05 per line per month to \$1.11 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
Statement of Net Position
June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total Primary Government	
ASSETS				
Cash and cash equivalents	\$ 122,270,342	\$ 24,750,769	\$ 147,021,111	\$ 11,762,771
Cash with fiscal agent	180,145		180,145	8,387,271
Investments	53,147,979		53,147,979	20,295
Accounts receivable	34,946,400	5,622,739	40,569,139	730,342
Lease receivable				4,950,297
Due from component units	179,775	99,717	279,492	
Due from Primary Government				52,783
Internal balances	(9,225,293)	9,225,293		
Due from other governments				8,840,284
Inventories	113,955	384,009	497,964	384,186
Prepaid items	259,282	40,771	300,053	21,923
Temporarily restricted assets:				
Cash and cash equivalents		828,064	828,064	1,423,615
Cash with fiscal agent		1,521,944	1,521,944	
Investments		15,033,281	15,033,281	
Notes receivable		8,708	8,708	295,505
Land held for sale				8,976,112
Capital assets not being depreciated	545,333,208	11,424,516	556,757,724	20,913,814
Capital assets, net of accumulated depreciation	340,028,804	137,857,676	477,886,480	7,249,887
Total assets	<u>1,087,234,597</u>	<u>206,797,487</u>	<u>1,294,032,084</u>	<u>74,009,085</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	9,288,581	4,859,121	14,147,702	
Related to pensions	18,549,318	1,763,933	20,313,251	21,553,569
Total deferred outflows of resources	<u>27,837,899</u>	<u>6,623,054</u>	<u>34,460,953</u>	<u>21,553,569</u>
LIABILITIES				
Accounts payable and other liabilities	37,292,574	1,484,183	38,776,757	16,397,153
Due to component units	52,783		52,783	
Due to Primary Government				279,492
Unearned revenues	106,517	467,788	574,305	907,748
Current liabilities payable from restricted assets		1,400,424	1,400,424	
Notes and other long-term payables:				
Due within one year	9,715,216	370,782	10,085,998	2,050,000
Due in more than one year	194,284,584	12,654,632	206,939,216	217,579,756
Bonds Payable:				
Due within one year	24,493,252	3,583,088	28,076,340	729,460
Due in more than one year	256,467,006	88,544,282	345,011,288	3,605,828
Total liabilities	<u>522,411,932</u>	<u>108,505,179</u>	<u>630,917,111</u>	<u>241,549,437</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes collected in advance	1,747,890		1,747,890	
Related to pensions	12,840,923	1,062,671	13,903,594	22,727,961
Total deferred inflows of resources	<u>14,588,813</u>	<u>1,062,671</u>	<u>15,651,484</u>	<u>22,727,961</u>
NET POSITION				
Net investment in capital assets	637,860,463	70,136,429	707,996,892	28,163,701
Restricted for:				
Capital projects	34,135,951		34,135,951	
Debt service	78,094		78,094	
Public safety projects	937,343		937,343	
Stormwater management	11,140,835		11,140,835	
Human services	534,301		534,301	
Bond indenture		8,037,350	8,037,350	1,423,615
Culture and recreation	46,772		46,772	
Physical environment	145,945		145,945	
Education	6		6	
Community development	871,262		871,262	
Operations and maintenance	3		3	
Other purposes	1,171,208		1,171,208	
Unrestricted	(108,850,432)	25,678,912	(83,171,520)	(198,302,060)
Total net position (deficit)	<u>\$ 578,071,751</u>	<u>\$ 103,852,691</u>	<u>\$ 681,924,442</u>	<u>\$ (168,714,744)</u>

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

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CITY OF HAMPTON, VIRGINIA
Statement of Activities
For the Year Ended June 30, 2016

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	\$ 111,928,145	\$ 25,865,310	\$ 34,744,510	\$ 4,680,495	\$ (46,637,830)	\$ (46,637,830)	\$	
Public safety	70,781,249	5,549,245	8,667,769		(56,564,235)	(56,564,235)		
Highways and streets	18,871,816		15,922,854	8,491,819	5,542,857	5,542,857		
Health	1,213,994				(1,213,994)	(1,213,994)		
Human services	32,459,265	1,522,484	20,209,791		(10,726,990)	(10,726,990)		
Culture and recreation	17,496,109	617,482	152,272		(16,726,355)	(16,726,355)		
Education (payment to school district)	71,112,223				(71,112,223)	(71,112,223)		
Education and educational services	15,095,682	32,578	162,419		(14,900,685)	(14,900,685)		
Interest on long-term debt	8,053,005		253,069		(7,799,936)	(7,799,936)		
Total Governmental Activities	<u>347,011,488</u>	<u>33,587,099</u>	<u>80,112,684</u>	<u>13,172,314</u>	<u>(220,139,391)</u>	<u>(220,139,391)</u>		
Business-type activities								
Culture and recreation	\$ 26,527,309	\$ 15,618,688	\$ 1,235,524	\$ 509,817	\$ (9,163,280)	\$ (9,163,280)		
Sanitation	24,019,809	30,098,495			6,078,686	6,078,686		
Total Business-type activities	<u>50,547,118</u>	<u>45,717,183</u>	<u>1,235,524</u>	<u>509,817</u>	<u>(3,084,594)</u>	<u>(3,084,594)</u>		
Total Primary Government	<u>\$ 397,558,606</u>	<u>\$ 79,304,282</u>	<u>\$ 81,348,208</u>	<u>\$ 13,682,131</u>	<u>\$ (220,139,391)</u>	<u>\$ (3,084,594)</u>	<u>\$ (223,223,985)</u>	
Component units								
Public school system	\$ 213,659,733	\$ 4,970,717	\$ 144,374,011	\$			\$ (64,315,005)	
Economic development	4,556,132	141,338		457,700			(3,957,094)	
Business improvement	1,074,867	575,213					(499,654)	
Downtown development	716,733	262,629	330,815				(123,289)	
Total component units	<u>\$ 220,007,465</u>	<u>\$ 5,949,897</u>	<u>\$ 144,704,826</u>	<u>\$ 457,700</u>	<u>\$</u>	<u>\$</u>	<u>\$ (68,895,042)</u>	
General revenues								
Taxes:								
Property taxes				\$ 158,147,382	\$	\$ 158,147,382	\$	
Sales taxes				15,368,336		15,368,336		
Lodging, meal and amusement taxes				24,751,276		24,751,276		
Motor vehicle taxes				4,374,912		4,374,912		
Business license taxes				12,092,083		12,092,083		
Utility taxes				5,550,895		5,550,895		
Tobacco taxes				4,623,960		4,623,960		
Recordation taxes				2,066,189		2,066,189		
Bank stock taxes				548,675		548,675		
Short-term rental taxes				101,258		101,258		
Communication sales tax				8,866,648		8,866,648		
Mobile home titling tax				21,119		21,119		
Payments from (to) City							76,757,734	
Investment earnings				573,927	886,660	1,460,587	347,848	
Miscellaneous							12,733	
Transfers				(8,549,459)	8,549,459	-		
Total general revenues and transfers				<u>228,537,201</u>	<u>9,436,119</u>	<u>237,973,320</u>	<u>77,118,315</u>	
Change in net position					8,397,810	6,351,525	14,749,335	8,223,273
Net position(deficit), beginning of year					<u>569,673,941</u>	<u>97,501,166</u>	<u>667,175,107</u>	<u>(176,938,017)</u>
Net position(deficit), ending					<u>\$ 578,071,751</u>	<u>\$ 103,852,691</u>	<u>\$ 681,924,442</u>	<u>\$ (168,714,744)</u>

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

CITY OF HAMPTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Special Revenue- Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 81,786,802	\$ 6,438,771	\$ 514,786	\$	\$ 11,652,500	\$ 100,392,859
Investments	15,996,946			37,151,033		53,147,979
Accounts receivables:						
Taxes (net of allowance of uncollectible)	9,035,505					9,035,505
Due from other governments	10,397,849			8,601,699	4,538,396	23,537,944
Other	1,500,232	8,054	103		833,267	2,341,656
Due from other funds	13,723,028			2,979,783	1,512,812	18,215,623
Due from component units	467	5,627				6,094
Inventories	25,804					25,804
Prepaid items				43,613		43,613
Total assets	\$ 132,466,633	\$ 6,452,452	\$ 514,889	\$ 48,776,128	\$ 18,536,975	\$ 206,747,077
Liabilities:						
Accounts payable	\$ 9,982,070	\$ 24,999	\$ (1)	\$ 4,757,594	\$ 1,578,012	\$ 16,342,674
Accrued health insurance	10,746,732					10,746,732
Accrued liabilities	4,274,072				100,651	4,374,723
Due to other funds	2,911,857			6,434,368	3,186,165	12,532,390
Due to component units	16,950	35,833				52,783
Unearned revenues	106,516	6,185				112,701
Total liabilities	28,038,197	67,017	(1)	11,191,962	4,864,828	44,162,003
Deferred inflows of resources:						
Unavailable revenue-property taxes	7,215,212					7,215,212
Property taxes collected in advance	1,747,890					1,747,890
Unavailable revenue-program income					229,716	229,716
Unavailable revenue-stormwater fees					532,353	532,353
Total deferred inflows of resources	8,963,102				762,069	9,725,171
Fund balances:						
Nonspendable	25,804			43,613		69,417
Restricted	418,733	856,498	78,094	1,652,112	12,868,383	15,873,820
Committed	34,470,341	1,846,214		34,110,570		70,427,125
Assigned	6,249,710	3,682,723	436,796	1,777,871	41,695	12,188,795
Unassigned	54,300,746					54,300,746
Total fund balances	95,465,334	6,385,435	514,890	37,584,166	12,910,078	152,859,903
Total liabilities, deferred inflows of resources and fund balances	\$ 132,466,633	\$ 6,452,452	\$ 514,889	\$ 48,776,128	\$ 18,536,975	\$ 206,747,077

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

Total fund balances of governmental funds	\$ 152,859,903
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)	864,567,403
Other assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	7,983,464
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.	9,288,581
Deferred outflows of resources related to pensions are reported in the government-wide financial statements but are not reported in the governmental fund statements	18,549,318
Deferred inflows of resources related to pensions are reported in the government-wide financial statements but are not reported in the governmental fund statements	(12,840,923)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. Net position on Combining Statement of Net Position-Internal Service Funds (Exhibit E-1)	30,843,829
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	(302,575)
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	259,420
Other liabilities not paid from current-period revenues are not reported in the funds for:	
Accrued interest	(3,855,786)
Interfund balances related to amounts eliminated in the Statement of Net Position	(14,435,949)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds. (Note 8)	<u>(474,844,934)</u>
Net position of governmental activities	<u>\$ 578,071,751</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, 2016

	General Fund	Special Revenue- Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
General property taxes	\$ 158,543,206					\$ 158,543,206
Other local taxes	77,912,842					77,912,842
Special assessments	6,358,400					6,358,400
Intergovernmental revenues:						
From the Commonwealth of Virginia	54,580,912	200,000		3,099,924	10,321,855	68,202,691
From the Federal government	9,502,199		253,069	6,336,895	4,164,087	20,256,250
Permits, privilege fees and regulatory licenses	1,408,572					1,408,572
Fines and forfeitures	1,549,731					1,549,731
Revenues from use of money and property	558,488	332,665	766	181,954	395,296	1,469,169
Charges for services	9,328,977				8,764,437	18,093,414
Payment from component units	2,000,119					2,000,119
Miscellaneous	3,982,154	5,000		10,000	1,879,504	5,876,658
Recovered costs	906,000					906,000
Total revenues	<u>326,631,600</u>	<u>537,665</u>	<u>253,835</u>	<u>9,628,773</u>	<u>25,525,179</u>	<u>362,577,052</u>
EXPENDITURES						
Current:						
General government	105,011,512	336,799			5,087,729	110,436,040
Public safety	50,265,177				5,505,339	55,770,516
Highways and streets	2,026,296					2,026,296
Sanitation					5,004,393	5,004,393
Health	2,484,855					2,484,855
Human services	19,737,574				9,255,654	28,993,228
Culture and recreation	12,954,034				195,757	13,149,791
Education (payment to school district)	71,112,223					71,112,223
Education and education services	2,071,125					2,071,125
Capital improvements				56,297,747		56,297,747
Debt Service:						
Principal retirement			22,336,163			22,336,163
Interest and fiscal charges			11,153,768			11,153,768
Bond issuance costs			2,535			2,535
Total expenditures	<u>265,662,796</u>	<u>336,799</u>	<u>33,492,466</u>	<u>56,297,747</u>	<u>25,048,872</u>	<u>380,838,680</u>
Excess (deficiency) of revenues over (under) expenditures	<u>60,968,804</u>	<u>200,866</u>	<u>(33,238,631)</u>	<u>(46,668,974)</u>	<u>476,307</u>	<u>(18,261,628)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	230,327		33,237,203	18,573,299	3,186,017	55,226,846
Transfers out	(59,341,396)	(103,792)		(1,773,343)	(2,557,774)	(63,776,305)
Net other financing sources (uses)	<u>(59,111,069)</u>	<u>(103,792)</u>	<u>33,237,203</u>	<u>16,799,956</u>	<u>628,243</u>	<u>(8,549,459)</u>
Net change in fund balances	1,857,735	97,074	(1,428)	(29,869,018)	1,104,550	(26,811,087)
Fund balances, beginning of year, as restated (Note 16)	<u>93,607,599</u>	<u>6,288,361</u>	<u>516,318</u>	<u>67,453,184</u>	<u>11,805,528</u>	<u>179,670,990</u>
Fund balances, end of year	<u>\$ 95,465,334</u>	<u>\$ 6,385,435</u>	<u>\$ 514,890</u>	<u>\$ 37,584,166</u>	<u>\$ 12,910,078</u>	<u>\$ 152,859,903</u>

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

Net change in fund balance - total governmental funds	\$ (26,811,087)
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	21,163,006
Depreciation expense	(17,469,826)
Loss on disposal of assets	(1,589,053)
Donated assets are not reported in the governmental funds but are reflected in the statement of activities.	3,053,925
Revenues earned during the period that are not yet available are reported in the Statement of Activities, but not reported as revenues in the funds.	(1,801,444)
Proceeds from bond issuance and capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Debt decrease for compensated absences	208,514
Net other postemployment benefits liability	(4,704,065)
Repayment of debt principal	23,865,507
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.	3,180,794
Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest	(223,768)
Amortization of premiums	1,876,708
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>7,648,599</u>
Change in net position of governmental activities	<u><u>\$ 8,397,810</u></u>

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				<u>Over (Under)</u>
REVENUES				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 38,898,403	\$ 55,116,757	\$ 54,580,912	\$ (535,845)
From the Federal government	9,267,361	9,267,361	9,502,199	234,838
Local taxes	249,674,656	234,220,727	236,456,047	2,235,320
Special assessments	4,706,332	4,706,332	6,358,400	1,652,068
Licenses and permits	1,296,144	1,296,144	1,408,572	112,428
Fines and forfeitures	2,087,265	2,087,265	1,549,731	(537,534)
Revenues from use of money and property	368,738	368,738	558,308	189,570
Charges for services	9,291,330	9,291,330	9,328,977	37,647
Recovered costs	906,000	906,000	906,000	
Payment from component units	2,000,000	2,000,000	2,000,119	119
Miscellaneous	3,927,762	3,927,762	3,982,154	54,392
Total revenues	<u>322,423,991</u>	<u>323,188,416</u>	<u>326,631,419</u>	<u>3,443,003</u>
EXPENDITURES				
Current:				
General government	107,887,507	110,077,562	105,011,512	(5,066,050)
Public safety	48,287,715	50,865,225	50,265,177	(600,048)
Highways and streets	2,284,951	2,176,211	2,026,296	(149,915)
Health	2,735,133	2,688,339	2,484,855	(203,484)
Human services	20,994,667	21,124,917	19,737,574	(1,387,343)
Culture and recreation	12,755,861	13,012,675	12,954,034	(58,641)
Education	73,241,418	73,241,418	73,183,348	(58,070)
Total expenditures	<u>268,187,252</u>	<u>273,186,347</u>	<u>265,662,796</u>	<u>(7,523,551)</u>
Excess of revenues over (under) expenditures	<u>54,236,739</u>	<u>50,002,069</u>	<u>60,968,623</u>	<u>10,966,554</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	229,292	229,292	230,327	1,035
Transfers out	(58,140,017)	(64,754,209)	(59,341,396)	(5,412,813)
Total other financing uses, net	<u>(57,910,725)</u>	<u>(64,524,917)</u>	<u>(59,111,069)</u>	<u>(5,413,848)</u>
Net change in fund balances	(3,673,986)	(14,522,848)	1,857,554	<u>\$ 16,380,402</u>
Appropriations from fund balance	3,673,986	14,554,399		
Appropriations - encumbrances		<u>(31,552)</u>		
Fund balance - July 1, as restated (Note 7)			<u>93,540,457</u>	
Fund balance - June 30	<u>\$</u>	<u>\$</u>	<u>\$ 95,398,011</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, 2016

	Business-type Activities - Enterprise Funds					Governmental	
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 11,770,927	\$ 800	\$ 1,171,364	\$	\$ 11,807,678	\$ 24,750,769	\$ 21,877,484
Cash with fiscal agent							180,145
Restricted assets to be used to liquidate current liabilities:							
Revenue bond indenture:							
Cash and cash equivalents				438,337		438,337	
Cash with fiscal agent				1,521,944		1,521,944	
Accounts receivable, net	1,737,733	4,744	79,391	209,790	3,591,081	5,622,739	31,293
Notes and mortgage receivable	8,708					8,708	
Due from other funds				1,100,000		1,100,000	317,927
Due from component units					99,717	99,717	173,682
Inventories	168,750	29,440	89,489		96,330	384,009	88,150
Prepaid items			18,744	22,027		40,771	215,669
Restricted assets:							
Revenue bond indenture:							
Cash and cash equivalents				389,728		389,728	
Investments				15,033,281		15,033,281	
Total current assets	13,686,118	34,984	1,358,988	18,715,107	15,594,806	49,390,003	22,884,350
Noncurrent Assets:							
Capital Assets:							
Land	145,615	262,100	1,921,420	5,332,401	3,404,805	11,066,341	
Easements	28,943					28,943	
Buildings and improvements	2,683,118	2,398,794	31,208,025	89,858,046	13,584,901	139,732,884	
Improvements other than buildings	290,651	3,802,031	6,800	4,259,808	27,336,206	35,695,496	422,506
Computer software	105,534				248,343	353,877	215,775
Equipment	4,240,579	602,779	4,701,059	803,529	17,321,242	27,669,188	42,458,340
Construction in progress	329,231					329,231	
Exhibits			14,608,233			14,608,233	
Landfill					3,865,986	3,865,986	
Infrastructure	70,332,157					70,332,157	
Less accumulated depreciation	(34,006,077)	(6,446,846)	(40,084,795)	(28,013,218)	(45,849,207)	(154,400,143)	(22,302,012)
Net capital assets	44,149,751	618,858	12,360,742	72,240,566	19,912,276	149,282,193	20,794,609
Total noncurrent assets	44,149,751	618,858	12,360,742	72,240,566	19,912,276	149,282,193	20,794,609
Total assets	57,835,869	653,842	13,719,730	90,955,673	35,507,082	198,672,196	43,678,959
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge on refunding Related to pensions	451,962	42,465		4,859,121	1,269,506	4,859,121	1,763,933
Total deferred outflows of resources	451,962	42,465		4,859,121	1,269,506	6,623,054	302,575

	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	\$ 185,412	\$ 9,280	\$ 162,508	\$	\$ 630,448	\$ 987,648	\$ 1,940,815
Accrued liabilities				17,600		17,600	
Accrued interest payable					39,923	39,923	
Accrued leave	117,489	2,580	39,137		211,575	370,781	63,137
Due to other funds	86	3,497,219	854,525		1,958,826	6,310,656	790,504
Unearned revenues			245,571		222,217	467,788	
Current portion of long-term debt				3,191,240	391,848	3,583,088	4,433,222
Current liabilities payable from restricted assets:							
Accounts payable			1	405,723		405,724	
Accrued interest payable				994,702		994,702	
Other liabilities	35,944	22,445	47,156	74,771	258,696	439,012	31,843
Total current liabilities	<u>338,931</u>	<u>3,531,524</u>	<u>1,348,898</u>	<u>4,684,036</u>	<u>3,713,533</u>	<u>13,616,922</u>	<u>7,259,521</u>
Noncurrent liabilities:							
Claims payable							1,246,974
Accrued leave	101,496	19,806			376,207	497,509	116,058
Bonds payable				85,699,537	2,844,745	88,544,282	
Obligations under capital leases							1,845,247
Net pension liability	3,262,135	338,300			8,556,688	12,157,123	2,410,485
Total noncurrent liabilities	<u>3,363,631</u>	<u>358,106</u>		<u>85,699,537</u>	<u>11,777,640</u>	<u>101,198,914</u>	<u>5,618,764</u>
Total liabilities	<u>3,702,562</u>	<u>3,889,630</u>	<u>1,348,898</u>	<u>90,383,573</u>	<u>15,491,173</u>	<u>114,815,836</u>	<u>12,878,285</u>
DEFERRED INFLOWS OF RESOURCES							
Related to pensions	307,203	36,408			719,060	1,062,671	259,420
Total deferred inflows of resources	<u>307,203</u>	<u>36,408</u>			<u>719,060</u>	<u>1,062,671</u>	<u>259,420</u>
NET POSITION							
Net investment in capital assets	44,149,751	618,858	12,360,741	(3,668,603)	16,675,682	70,136,429	18,075,301
Restricted							
Bond indenture				8,037,350		8,037,350	
Unrestricted	10,128,315	(3,848,589)	10,091	1,062,474	3,890,673	11,242,964	12,768,528
Total net position	<u>\$ 54,278,066</u>	<u>\$(3,229,731)</u>	<u>\$ 12,370,832</u>	<u>\$ 5,431,221</u>	<u>\$ 20,566,355</u>	<u>\$ 89,416,743</u>	<u>\$ 30,843,829</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						89,416,743	
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						13,977,323	
Net position business-type activities						<u>\$ 103,852,691</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, 2016

	Business-type Activities-Enterprise Funds		
	Wastewater Management	The Hamptons	Museum
Operating revenues:			
Charges for services	\$ 8,736,396	\$ 764,265	\$ 1,574,750
Federal revenues			532,601
Other			1,203,131
Total operating revenues	<u>8,736,396</u>	<u>764,265</u>	<u>3,310,482</u>
Operating expenses:			
Personal services	2,082,861	417,533	1,150,202
Fringe benefits	899,078	112,209	305,750
Promoters fees			
City-sponsored events			
Cost of goods sold	126,103	22,961	138,401
Utilities	246,705	58,714	254,145
Insurance	50,020	24,532	65,612
Operating supplies	853,061	92,959	434,232
Equipmental rental	305	97,587	75,940
Equipment and building repairs	461,059	32,856	232,320
Telephone and postage	45,312	7,469	28,355
General expense	183,025	3,156	154,217
Claims			
Landfill costs			
Contractual services	503,388	56,156	124,530
Indirect cost	456,000		
Depreciation and amortization	1,370,109	57,964	1,438,739
Total operating expenses	<u>7,277,026</u>	<u>984,096</u>	<u>4,402,443</u>
Operating income (loss)	<u>1,459,370</u>	<u>(219,831)</u>	<u>(1,091,961)</u>
Nonoperating revenues (expenses):			
Interest income			85
Interest and fiscal charges			
Other			
Gain(loss) on disposal of capital assets	49,005		
Net increase(decrease) in fair value of investments			
Total nonoperating revenues (expenses)	<u>49,005</u>		<u>85</u>
Income (loss) before transfers and capital contributions	<u>1,508,375</u>	<u>(219,831)</u>	<u>(1,091,876)</u>
Capital contributions		383,625	
Transfers in(out)	<u>(113,292)</u>	<u>11,000</u>	<u>636,996</u>
Change in net position	<u>1,395,083</u>	<u>174,794</u>	<u>(454,880)</u>
Net position, (deficit) beginning of year, as restated (Note 16)	<u>52,882,983</u>	<u>(3,404,525)</u>	<u>12,825,712</u>
Net position, (deficit) end of year	<u>\$ 54,278,066</u>	<u>\$ (3,229,731)</u>	<u>\$ 12,370,832</u>

Business-type Activities - Enterprise Funds			Governmental Activities
Convention Center	Non-Major Enterprise Funds	Totals	Internal Service
\$ 2,471,330	\$ 31,655,293	\$ 45,202,034	\$ 20,683,517
		532,601	
	2,945	1,206,076	4,926
<u>2,471,330</u>	<u>31,658,238</u>	<u>46,940,711</u>	<u>20,688,443</u>
1,270,711	5,747,343	10,668,650	1,885,934
384,800	1,696,718	3,398,555	650,914
	4,424,006	4,424,006	
	796,332	796,332	
	308,159	595,624	5,339,765
657,732	737,272	1,954,568	44,385
112,224	545,630	798,018	2,467,259
348,311	830,746	2,559,309	341,277
	107,415	281,247	93,203
264,320	3,462,656	4,453,211	655,423
43,858	97,903	222,897	991,524
66,817	1,461,062	1,868,277	197,856
			1,429,674
	3,794,584	3,794,584	
220,834	1,266,078	2,170,986	1,307,575
	574,470	1,030,470	
<u>2,812,532</u>	<u>2,697,758</u>	<u>8,377,102</u>	<u>2,386,284</u>
<u>6,182,139</u>	<u>28,548,132</u>	<u>47,393,836</u>	<u>17,791,073</u>
<u>(3,710,809)</u>	<u>3,110,106</u>	<u>(453,125)</u>	<u>2,897,370</u>
802,241	10,263	812,589	63,952
(4,010,667)	(173,082)	(4,183,749)	(78,986)
	(37,009)	11,996	86,856
		74,071	209,333
<u>74,071</u>	<u>(199,828)</u>	<u>(3,285,093)</u>	<u>281,155</u>
<u>(3,134,355)</u>	<u>2,910,278</u>	<u>(3,738,218)</u>	<u>3,178,525</u>
<u>(6,845,164)</u>			
	126,192	509,817	2,269
<u>7,259,653</u>	<u>755,102</u>	<u>8,549,459</u>	
414,489	3,791,572	5,321,058	3,180,794
<u>5,016,732</u>	<u>16,774,783</u>	<u>84,095,685</u>	<u>27,663,035</u>
<u>\$ 5,431,221</u>	<u>\$ 20,566,355</u>	<u>\$ 89,416,743</u>	<u>\$ 30,843,829</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	\$ 5,321,058
Interfund reimbursement of overhead costs	<u>1,030,467</u>
Change in net position - Business-type activities	<u>\$ 6,351,525</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, 2016

	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	\$ 8,747,162	\$ 771,924	\$ 3,515,834	\$ 2,530,633	\$ 29,937,482	\$ 45,503,035	\$ 20,541,035
Cash payments to suppliers for goods and services	(4,271,973)	(306,774)	(1,968,726)	(2,002,893)	(21,585,617)	(30,135,983)	(18,089,777)
Cash payments to employees for services	(2,111,195)	(414,879)	(1,153,649)	(1,272,693)	(5,660,728)	(10,613,144)	(2,291,323)
Net cash provided by (used in) operating activities	<u>2,363,994</u>	<u>50,271</u>	<u>393,459</u>	<u>(744,953)</u>	<u>2,691,137</u>	<u>4,753,908</u>	<u>159,935</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Cash received from other funds		11,000	636,996	6,341,958	926,102	7,916,056	65,098
Cash paid to other funds	(113,292)				(171,000)	(284,292)	
Net cash provided by (used in) noncapital financing activities	<u>(113,292)</u>	<u>11,000</u>	<u>636,996</u>	<u>6,341,958</u>	<u>755,102</u>	<u>7,631,764</u>	<u>65,098</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(2,818,882)	(82,151)	(568,312)	(213,501)	(590,923)	(4,273,769)	(3,978,423)
Principal paid on revenue bond maturities and long-term debt				(2,435,000)	(373,837)	(2,808,837)	(884,513)
Interest paid on revenue bonds and long-term debt				(4,039,231)	(177,545)	(4,216,776)	(78,986)
Sale of capital assets	50,933				13,520	64,453	227,394
Net cash provided by (used in) capital and related financing activities	<u>(2,767,949)</u>	<u>(82,151)</u>	<u>(568,312)</u>	<u>(6,687,732)</u>	<u>(1,128,785)</u>	<u>(11,234,929)</u>	<u>(4,714,528)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investment securities				(2,113,417)		(2,113,417)	
Sale of investment securities				2,105,570		2,105,570	
Interest and dividends on investments			87	149,202	10,263	159,552	60,946
Net cash provided by (used in) investing activities			<u>87</u>	<u>141,355</u>	<u>10,263</u>	<u>151,705</u>	<u>60,946</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(517,247)	(20,880)	462,230	(949,372)	2,327,717	1,302,448	(4,428,549)
Cash and cash equivalents (including restricted), July 1	<u>12,288,174</u>	<u>21,680</u>	<u>709,134</u>	<u>3,299,381</u>	<u>9,479,961</u>	<u>25,798,330</u>	<u>26,486,178</u>
Cash and cash equivalents, June 30	<u>\$ 11,770,927</u>	<u>\$ 800</u>	<u>\$ 1,171,364</u>	<u>\$ 2,350,009</u>	<u>\$ 11,807,678</u>	<u>\$ 27,100,778</u>	<u>\$ 22,057,629</u>

	Business-type Activities-Enterprise Funds						Governmental Activities
	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)	\$ 1,459,370	\$ (219,831)	\$ (1,091,961)	\$ (3,710,809)	\$ 3,110,106	\$ (453,125)	\$ 2,897,370
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization expense	1,370,109	57,964	1,438,739	2,812,532	2,697,758	8,377,102	2,386,284
Decrease (increase) in:							
Accounts receivable	7,160	364	60,620	59,303	(1,564,342)	(1,436,895)	5,748
Due from other funds	3,606	80	-	(917,695)	-	(914,009)	(252,497)
Due from component units					(79,898)	(79,898)	9,477
Inventories	9,546	(2,571)	(17,423)		(1,129)	(11,577)	41,887
Prepaid items			(15,793)	(15,968)		(31,761)	(59,903)
Increase (decrease) in:							
Accounts payable	(457,548)	(2,115)	(122,008)		(541,577)	(1,123,248)	812,732
Accrued leave	14,050	(3,473)	(5,455)		10,917	16,039	1,769
Due to other funds	86	207,165			107,747	314,998	499,175
Other liabilities	18,798	7,297	2,008	(1,982)	(312,969)	(286,848)	15,905
Nonoperating revenues reported as operating activity							86,858
Unearned revenues			144,732		81,248	225,980	
Accrued liabilities				(28,423)		(28,423)	
Current liabilities payable from restricted assets				140,392		140,392	
Current portion of long-term accrued claims reported as operating activity							(5,332,360)
Due to/from other funds reported as nonoperating activities			-	917,697		917,697	(65,098)
Accounts receivable reported as nonoperating activities							3,007
Long-term accrued leave reported as operating activities	7,038				42,959	49,997	17,790
Accounts payable reported as nonoperating activities							(389,309)
Long-term accrued insurance claims reported as operating activity							(529,704)
Prepaid items reported as nonoperating activities		6,126				6,126	-
Net pension liability reported as operating activity	233,045	28,033			(46,016)	215,062	214,687
Deferred Outflows & Inflows related to pensions reported as operating activity	(301,266)	(28,768)			(813,667)	(1,143,701)	(203,883)
Total adjustments	904,624	270,102	1,485,420	2,965,856	(418,969)	5,207,033	(2,737,435)
Net cash provided by (used in) operating activities	\$ 2,363,994	\$ 50,271	\$ 393,459	\$ (744,953)	\$ 2,691,137	\$ 4,753,908	\$ 159,935
Non-cash transactions affecting investing capital and related financing activities:							
Acquisition of capital assets through outside capital contribution		383,625			126,192	509,817	2,269
Net increase (decrease) in fair value of investments				74,071		74,071	
Total non-cash transactions	\$	\$ 383,625	\$	\$ 74,071	\$ 126,192	\$ 583,888	\$ 2,269

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	<u>Pension Trust</u> Hampton Employees' Retirement System	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 37,847	\$ 670,461
Investments:		
Bond mutual funds	45,406,782	
Stock mutual funds	78,443,725	
Receivables:		
Accounts	26,361	1,575
Property, Plant, and Equipment		
Office and operating equipment	9,644	
Less accumulated depreciation	(7,982)	
Total assets	<u>\$ 123,916,377</u>	<u>\$ 672,036</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	25,066	
Total deferred outflows of resources	<u>25,066</u>	
LIABILITIES		
Deposits	\$	\$ 650,745
Accounts payable	17,924	21,291
Net pension liability	199,690	
Total liabilities	<u>217,614</u>	<u>\$ 672,036</u>
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	21,491	
Total deferred inflows of resources	<u>21,491</u>	
NET POSITION		
Net position held in trust for pension benefits and other purposes	<u>\$ 123,702,338</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, 2016

	Hampton Employees' Retirement System
ADDITIONS	
Investment income:	
Net appreciation(depreciation) in fair value of investments	\$ (434,622)
Dividends	2,718,110
Total investment earnings (losses)	2,283,488
Less investment expenses	(20,091)
Net investment earnings (losses)	2,263,397
Employer contributions	8,880,839
Total additions (losses)	11,144,236
DEDUCTIONS	
Benefits	17,101,283
Administrative expenses	366,155
Total deductions	17,467,438
Change in net position	(6,323,202)
Net position, July 1	130,025,540
Net position, June 30	\$ 123,702,338

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, 2016

	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	\$ 8,808,587	\$ 1,198,751	\$ 1,041,647	\$ 713,786	\$	11,762,771
Cash with fiscal agent	6,755,151	1,632,120				8,387,271
Investments	20,128	167				20,295
Accounts receivable, net	391,686	53,240	269,891	15,525		730,342
Lease receivable		4,950,297				4,950,297
Due from Primary Government		52,783				52,783
Due from other governments	8,840,284					8,840,284
Inventories	384,186					384,186
Prepaid items			14,434	7,489		21,923
Temporarily restricted assets:						
Cash and cash equivalents		1,423,615				1,423,615
Notes receivable		295,505				295,505
Land held for sale		8,976,112				8,976,112
Capital assets not being depreciated	5,111,045	15,802,769				20,913,814
Capital assets, net of accumulated depreciation	6,163,051	778,268	21,008	287,560		7,249,887
Total assets	<u>\$ 36,474,118</u>	<u>\$ 35,163,627</u>	<u>\$ 1,346,980</u>	<u>\$ 1,024,360</u>		<u>\$ 74,009,085</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	21,553,569					21,553,569
Total deferred outflows of resources	<u>21,553,569</u>					<u>21,553,569</u>
LIABILITIES						
Accounts payable and other liabilities	\$ 14,483,030	\$ 1,822,878	\$ 57,951	\$ 33,294	\$	16,397,153
Due to Primary Government	273,746	5,746				279,492
Unearned revenues	52,852	842,396		12,500		907,748
Notes and other long-term payables:						
Due within one year	2,050,000					2,050,000
Due in more than one year	217,579,756					217,579,756
Bonds payable						
Due within one year		729,460				729,460
Due in more than one year		3,605,828				3,605,828
Total liabilities	<u>234,439,384</u>	<u>7,006,308</u>	<u>57,951</u>	<u>45,794</u>		<u>241,549,437</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	22,727,961					22,727,961
Total deferred inflows of resources	<u>22,727,961</u>					<u>22,727,961</u>
NET POSITION						
Net investment in capital assets	11,274,096	16,581,037	21,008	287,560		28,163,701
Restricted for:						
Bond indenture		1,423,615				1,423,615
Unrestricted	(210,413,754)	10,152,667	1,268,021	691,006		(198,302,060)
Total net position	<u>\$ (199,139,658)</u>	<u>\$ 28,157,319</u>	<u>\$ 1,289,029</u>	<u>\$ 978,566</u>		<u>\$ (168,714,744)</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, 2016

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	\$ 213,659,733	\$ 4,970,717	\$ 144,374,011	\$	\$ (64,315,005)	\$	\$	\$	\$ (64,315,005)
Business type activities									
Economic development	4,556,132	141,338		457,700		(3,957,094)			(3,957,094)
Business improvement	1,074,867	575,213					(499,654)		(499,654)
Downtown development	716,733	262,629	330,815					(123,289)	(123,289)
Total component units	<u>\$ 220,007,465</u>	<u>\$ 5,949,897</u>	<u>\$ 144,704,826</u>	<u>\$ 457,700</u>	<u>\$ (64,315,005)</u>	<u>\$ (3,957,094)</u>	<u>\$ (499,654)</u>	<u>\$ (123,289)</u>	<u>\$ (68,895,042)</u>
Payments from (to) City					71,112,223	4,946,073	516,115	183,323	76,757,734
Investment earnings						346,288	1,560		347,848
Miscellaneous					16,134	(3,401)			12,733
Total general revenues					<u>71,128,357</u>	<u>5,288,960</u>	<u>517,675</u>	<u>183,323</u>	<u>77,118,315</u>
Change in net position					6,813,352	1,331,866	18,021	60,034	8,223,273
Net position, beginning					<u>(205,953,010)</u>	<u>26,825,453</u>	<u>1,271,008</u>	<u>918,532</u>	<u>(176,938,017)</u>
Net position, ending					<u>\$ (199,139,658)</u>	<u>\$ 28,157,319</u>	<u>\$ 1,289,029</u>	<u>\$ 978,566</u>	<u>\$ (168,714,744)</u>

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

The following is a summary of the significant accounting policies.

Reporting Entity

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

Component Unit Disclosures

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

Discretely Presented Component Units

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

Hampton City School Board

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

Hampton Economic Development Authority

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2021 Cunningham Drive, Suite 101, Hampton, Virginia 23666 or by calling (757) 826-6351.

Downtown Hampton Development Partnership, Inc.

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

Other Related Organizations

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

Peninsula Airport Commission

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

Other

There are certain other agencies and commissions that service the City of Hampton and surrounding localities whose board membership is allocated among and appointed by the various localities. These agencies include: Hampton Roads Transit (HRT), Hampton Roads Planning District Commission (HRPDC), Virginia Peninsula Public Service Authority (VPPSA), Hampton Roads Economic Development Alliance (HREDA) and the Peninsula Council for Workforce Development (PCFWD). Expenditures of these agencies are financed by federal and state grants, fees, and contributions. During the year ended June 30, 2016, the City provided operating and capital support of \$4,436,857 to HRT, \$153,505 to HRPDC, \$10,250 to VPPSA, \$129,846 to HREDA and \$74,435 to PCFWD.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Jointly Governed Organizations

Hampton-Newport News Community Services Board

The City of Hampton has one jointly governed organization, the Hampton-Newport News Community Services Board (CSB). The CSB operates as an agent for the Cities of Hampton and Newport News in the establishment and operation of community mental health, mental retardation and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia, relating to the Virginia Department of Mental Health and Mental Retardation. The CSB designates its own management and adopts its own budget. The operations are financed principally by state and federal funds. The City provided operating support of \$1,570,662 to the CSB during fiscal year 2016.

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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2016

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 2016. 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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$1,376,805. Management has determined that the allowance is sufficient to provide for any losses that may be sustained on realization of the accounts receivable.

Inventories

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

Prepays

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

Land Held for Resale

Land held for resale by 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 Hamptons (Golf Course), Virginia Air and Space Center (Museum), Convention Center, and discretely presented component unit – EDA:

	Convention Center	Component Unit- EDA
Restricted Assets		
Cash:		
Operating and Maintenance Account	\$	\$ 173,428
Operating/Capital Reserve Fund	1,938,027	686,094
Bond Fund	22,255	
Debt Service Reserve Fund	389,728	564,093
Investments:		
Operating Reserve Fund	6,600,333	
Bond Fund	1,637,580	
Debt Service Reserve Fund	6,795,367	
	\$ 17,383,290	\$ 1,423,615

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

Capital Assets

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

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

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

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

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

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

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

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. One of the deferred outflows

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 which consist of employer contributions subsequent to the measurement date and changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized in accordance with GAAP.

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

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

Fund Balance

Fund balance is essentially the difference between the assets and liabilities 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 of Hampton for a specific purpose but do not meet the criteria to be classified as restricted or committed. The intent should be expressed by the governing body itself or an official or committee that the governing body has delegated the authority to assign amounts to be used for specific purposes.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

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

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

	General	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable:						
Inventory	\$ 25,804					\$ 25,804
Prepaid items				43,613		43,613
Restricted:						
Debt service			78,094			78,094
Donations for parks projects	10,000					10,000
Donations for Police Firing Range	23,000					23,000
Wetlands Encroachment/In Lieu	125,639					125,639
Hazmat clean ups and restoration	44,323					44,323
Title IVE	138,446					138,446
Urban Development Action grant projects		856,498				856,498
Property acquisition/redevelopment				698,136		698,136
Street & Infrastructure projects				208,409		208,409
Waterways projects				844	81,453	82,297
Park improvement projects				744,055	15,803	759,858
Public Works equipment					215,334	215,334
Facilities maintenance and repairs					3	3
Law library books and subscriptions					58,703	58,703
Stormwater management					11,140,835	11,140,835
Commonwealth Attorney investigations,training and equipment					132,597	132,597
Probation supervision services					146,600	146,600
Emergency preparedness					154,834	154,834
Fire equipment,training and supplies					147,536	147,536
Police investigations,training and equipment					232,248	232,248
Early intervention and special education services					366,021	366,021
Neighborhood improvement projects					36,287	36,287
Donations for bus shelter benches	67,325					67,325
Other	10,000			668	140,129	150,797
Committed:						
Budget savings program	8,051,753					8,051,753
Dutch Dialogue	150,000					150,000
Emergency management projects	40,381					40,381

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

	General	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Capital projects	13,761,506					13,761,506
Debt service	7,817,481					7,817,481
Home elevation loan program	2,309,619					2,309,619
Proceeds from real estate auctions	14,136					14,136
Maintenance of driving range	158,114					158,114
Youth Violence Initiative	159,300					159,300
Buckroe demolition services		51,569				51,569
Coliseum area sewer study		100,729				100,729
Job creation grants		1,597,700				1,597,700
Streets & Infrastructure projects		41,216		4,712,223		4,753,439
Waterways projects	2,006,437			3,044,731		5,051,168
Buckroe redevelopment projects		55,000		144,904		199,904
Va Air & Space Museum support/improvements	1,614			691		2,305
Coliseum Central projects				3,737,495		3,737,495
Court buildings projects				268,013		268,013
Downtown strategic projects				2,103,017		2,103,017
Facilities maintenance projects				2,190,834		2,190,834
Fire and Rescue projects				706,079		706,079
Human Resources software				13,409		13,409
North King Street Corridor projects				1,595,446		1,595,446
Neighborhood improvement projects				3,416,056		3,416,056
Parks improvement projects				5,471,288		5,471,288
Police and E911 equipment				111,059		111,059
Property acquisition/redevelopment				1,006,079		1,006,079
School projects				5,042,545		5,042,545
Transportation projects				446,361		446,361
Other				100,340	41,695	142,035
Assigned:						
Donations for parks projects	2,818					2,818
Subsequent year expense	3,651,372					3,651,372
Economic development projects		3,682,723				3,682,723
Transportation projects	324,956					324,956
Fire and Rescue operations	126,654					126,654
Donations for History Museum	1,033					1,033
Donations for general operations	39,125					39,125
Police Department equipment and supplies	618,138					618,138
Debt service			436,796			436,796
Traffic Engineering equipment and supplies	74,041					74,041
Social Services equipment and supplies	117,058					117,058
Information Technology equipment and supplies	160,884					160,884
Youth, Education and Family Services equipment and supplies	186,064					186,064
City Sheriff equipment and supplies	87,921					87,921
Fire Department equipment and supplies	86,967					86,967
Recreation equipment and supplies	44,648					44,648
Unappropriated bond interest income- general capital projects				1,609,788		1,609,788
Line of Duty program	382,148					382,148
Other	345,883			168,083		513,966
Unassigned	54,300,746					54,300,746
Total Fund Balances	\$ 95,465,334	\$ 6,385,435	\$ 514,890	\$ 37,584,166	\$ 12,910,078	\$ 152,859,903

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

The net position(deficit) at June 30, 2016 in the Enterprise Funds are as follows:

	Primary Government	Discretely Presented Component Units
Wastewater Management	\$ 54,278,066	\$
The Hamptons Golf Course	(3,229,731)	
Museum	12,370,832	
Hampton Roads Convention Center	5,431,221	
Non-Major Enterprise:		
Hampton Coliseum	8,865,530	
The Woodlands Golf Course	515,499	
Solid Waste	7,141,694	
Refuse-Steam Plant	4,043,632	
Component Units:		
School Board		(199,139,658)
Economic Development Authority		28,157,319
Coliseum Central Business Improvement District, Inc.		1,289,029
Downtown Hampton Development Partnership, Inc.		978,566

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

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

Internal Service:		
Equipment Replacement		\$ 18,041,824
Fleet Management		(932,460)
Risk Management		12,728,515
Information Technology		1,005,950

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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused annual and sick leave benefits, which will be utilized in future periods or will be paid to employees upon separation from City service. In governmental fund types, the cost of annual and sick benefits is recognized when payments are made to employees. The current and long-term liability for accrued annual and sick leave benefits at June 30, 2016 has been reported in the government-wide statements, representing the City's commitment to fund such costs from future operations. Proprietary fund types accrue annual and sick leave benefits in the period they are earned. Such benefits are included in accounts payable and other liabilities in the government-wide statements. In prior years, the General, Federal Grants, Community Development and Stormwater Management Funds have been used to liquidate the liability for compensated absences.

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

2. BASIS OF PRESENTATION - FUND ACCOUNTING:

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

General Fund

The General Fund is the City's primary operating fund. The General Fund accounts for all revenues and expenditures of the City, which are not accounted for in the other funds. Revenues are primarily derived from general property taxes, other local taxes, revenues from other governmental units and recovered costs. A significant part of the General Fund's revenue is transferred to other funds, principally to fund the operations of the City 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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

2. BASIS OF PRESENTATION - FUND ACCOUNTING , continued:

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

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

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

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

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

Enterprise Funds

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

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

Internal Service Funds

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

2. BASIS OF PRESENTATION - FUND ACCOUNTING , continued:

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

3. INTERFUND BALANCES:

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

The \$629,406 due to the General Fund from the Risk Management Fund is from the transfer of the line of duty program to governmental activities. The \$1,100,000 due to the Convention Center Fund from the General Fund is for operating support for the year. The General Fund's due from of \$13,723,028 is primarily to cover negative cash balances for several funds. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between the funds are made.

Interfund Receivables and Payables:

<u>Primary Government:</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 13,723,028	\$ 2,911,857
Capital Projects	2,979,783	6,434,368
Non-Major Governmental Funds	1,512,812	3,186,165
<u>Proprietary Funds:</u>		
Wastewater Management		86
The Hamptons		3,497,219
Museum		854,525
Convention Center	1,100,000	
Non-Major Enterprise Funds		1,958,826
Internal Service Funds	317,927	790,504
Total Primary Government	<u>\$ 19,633,550</u>	<u>\$ 19,633,550</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

3. INTERFUND BALANCES, continued:

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

	Due From Primary Government	Due To Component Unit	Due From Component Unit	Due To Primary Government
Primary Government - General Fund	\$	\$ 16,950	\$ 467	\$
Primary Government - Economic Development		35,833	5,627	
Primary Government - Non-major Enterprise Funds			99,717	
Primary Government - Internal Service Funds			173,681	
Component Unit - School Board Operating Fund				273,746
Component Unit - EDA	52,783			5,746
Total	<u>\$ 52,783</u>	<u>\$ 52,783</u>	<u>\$ 279,492</u>	<u>\$ 279,492</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, 2016 are as follows:

<u>Primary Government:</u>	<u>Transfer From</u>	<u>Transfer To</u>
General Fund	\$ 230,327	\$ 59,341,396
Special Revenue:		
Economic Development		103,792
Debt Service	33,237,203	
Capital Projects	18,573,299	1,773,343
Non-Major Governmental Funds	3,186,017	2,557,774
Proprietary Funds:		
Wastewater Management		113,292
The Hamptons	11,000	
Museum	636,996	
Convention Center	7,259,653	
Non-Major Enterprise Funds	755,102	
Total Primary Government	<u>\$ 63,889,597</u>	<u>\$ 63,889,597</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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	\$	\$ 73,146,697	\$ 2,000,119	\$
Primary Government - Economic Development		261,800		
Primary Government - Capital Projects Fund		3,349,356		
Component Unit - School Board Operating Fund	71,112,223			2,000,000
Component Unit - EDA	4,946,192			119
Component Unit - Coliseum BID	516,115			
Component Unit - Downtown Hampton	183,323			
Total	<u>\$76,757,853</u>	<u>\$ 76,757,853</u>	<u>\$ 2,000,119</u>	<u>\$ 2,000,119</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, 2016, the carrying value of the City’s deposits was \$25,870,075 and the bank balance was \$8,545,541. 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. 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 that are reported at amortized cost.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016

4. DEPOSITS AND INVESTMENTS , continued:

U. S. Government Securities

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

Custodial Credit Risk

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

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, 2016

4. DEPOSITS AND INVESTMENTS , continued:

As of June 30, 2016, 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	\$ 6,992,192	A-1 + P-1	\$ 6,992,192	\$
U.S. Government securities	29,392,647	AAA		29,392,647
LGIP - City	115,000,000	AAAm	115,000,000	
State Non-Arbitrage Fund-City	38,788,613	AAAm	38,788,613	
Mutual and Money Market Funds	<u>2,397,306</u>	Unrated	<u>2,397,307</u>	
Total Investments Controlled by City	192,570,758		163,178,112	29,392,647
Pension Plan Investments	<u>123,850,507</u>		<u>123,850,507</u>	
Total	<u>316,421,265</u>		<u>\$ 287,028,619</u>	<u>\$ 29,392,647</u>
Reconciliation to Total Cash and Investments:				
Add:				
Cash on Hand and in Banks-City	24,167,985			
Cash With Fiscal Agent	<u>1,702,089</u>			
Total Deposits and Investments Primary Government and Fiduciary Funds per Exhibits A-1 and A-9	<u>\$ 342,291,339</u>			

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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	20,128	20,128
Total Investments School Board	<u>\$ 1,320,128</u>	<u>\$ 1,320,128</u>

Other Component Units

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
Stock	\$ 167	\$ 167
Mutual and Money Market Funds	1,423,615	1,423,615
Total Investments Other Component Units	<u>\$ 1,423,782</u>	<u>\$ 1,423,782</u>

Reconciliation of total deposits and investments to the government-wide statements at June 30, 2016;

<u>Primary Government</u>	Governmental Activities	Business Type Activities	Fiduciary Responsibilities	Total
Cash Deposits-City	\$ 13,118,971	\$ 10,340,706	\$ 708,308	\$ 24,167,985
Cash With Fiscal Agent-City	180,145	1,521,944		1,702,089
Mutual and Money Market Funds		1,238,127		1,238,127
Investments-City	162,299,350	29,033,281	123,850,507	315,183,138
Total Primary Government	<u>\$ 175,598,466</u>	<u>\$ 42,134,058</u>	<u>\$ 124,558,815</u>	<u>\$ 342,291,339</u>
<u>Component Unit - School Board</u>				
Cash Deposits	\$ 7,508,587	\$	\$	\$ 7,508,587
Cash With Fiscal Agent	6,755,151			6,755,151
Investments	1,320,128			1,320,128
Total Component Unit School Board	<u>\$ 15,583,866</u>	<u>\$</u>	<u>\$</u>	<u>\$ 15,583,866</u>
<u>Other Component Units</u>				
Cash Deposits	\$	\$ 2,954,184	\$	\$ 2,954,184
Cash With Fiscal Agent		1,632,120		1,632,120
Investments		1,423,782		1,423,782
Total Other Component Units	<u>\$</u>	<u>\$ 6,010,086</u>	<u>\$</u>	<u>\$ 6,010,086</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

4. DEPOSITS AND INVESTMENTS , continued:

In fiscal year 2016, the City implemented Statement No. 72 of the Governmental Accounting Standards Board, Fair Value Measurement and Application, which 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. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices for identical assets or liabilities in active markets. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for asset or liability.

Fair Value Hierarchy

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

The following is a summary of the fair value hierarchy for investments of the City as of June 30, 2016:

	Investments at Fair Value June 30, 2016	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	\$ 6,992,192	\$	\$ 6,992,192	\$
U.S. Government securities	29,392,647		29,392,647	
Total Primary Government	<u>\$ 36,384,839</u>	<u>\$</u>	<u>\$ 36,384,839</u>	<u>\$</u>
Pension Plan Investments	<u>\$ 123,850,507</u>	<u>\$ 123,850,507</u>	<u>\$</u>	<u>\$</u>
Other Component Units				
Stock	<u>\$ 167</u>	<u>\$ 167</u>	<u>\$</u>	<u>\$</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

5. ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2016 in the Governmental Funds and School Board are as follows:

	<u>General Fund</u>	<u>Special Revenue- Economic Development</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>
Primary Government:					
General property taxes (net of allowance for uncollectible taxes of \$1,376,805)	\$ 9,035,505		\$	\$	\$
Due from Commonwealth of Virginia	9,677,304			8,601,699	3,098,008
Due from Federal Government	720,545				1,440,388
Other	1,500,232	8,054	103		833,267
Total Primary Government	<u>\$ 20,933,586</u>	<u>\$ 8,054</u>	<u>\$ 103</u>	<u>\$ 8,601,699</u>	<u>\$ 5,371,663</u>
<u>Discretely Presented Component Unit - School Board:</u>					
Due from Commonwealth of Virginia		\$ 5,431,879			
Due from Federal Government		3,408,405			
Other		391,686			
Total Component Unit		<u>\$ 9,231,970</u>			

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

6. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 522,896,819	\$ 2,352,816	\$ (1,667,985)	\$ 523,581,650
Easements	1,340,612	91,497		1,432,109
Construction in progress	50,629,169	15,837,882	(46,147,602)	20,319,449
Total capital assets not being depreciated	<u>574,866,600</u>	<u>18,282,195</u>	<u>(47,815,587)</u>	<u>545,333,208</u>
Capital assets being depreciated:				
Buildings	168,815,882	28,056,931		196,872,813
Improvements	71,922,979	2,724,619		74,647,598
Computer Software	1,321,686	89,190	(267,414)	1,143,462
Machinery & Equipment	81,432,756	7,598,646	(4,104,473)	84,926,929
Infrastructure	182,031,385	18,377,663		200,409,048
Other Assets	4,218,300			4,218,300
Total capital assets being depreciated	<u>509,742,988</u>	<u>56,847,049</u>	<u>(4,371,887)</u>	<u>562,218,150</u>
Less accumulated depreciation for:				
Buildings	(48,684,055)	(3,780,036)		(52,464,091)
Improvements	(47,493,975)	(2,563,252)		(50,057,227)
Computer Software	(977,380)	(108,560)	207,808	(878,132)
Machinery & Equipment	(43,626,405)	(5,518,213)	3,830,240	(45,314,378)
Infrastructure	(64,356,586)	(7,675,124)		(72,031,710)
Other Assets	(1,232,883)	(210,925)		(1,443,808)
Total accumulated depreciation	<u>(206,371,284)</u>	<u>(19,856,110)</u>	<u>4,038,048</u>	<u>(222,189,346)</u>
Total capital assets being depreciated, net	<u>303,371,704</u>	<u>36,990,939</u>	<u>(333,839)</u>	<u>340,028,804</u>
Governmental activities capital assets, net	<u>\$ 878,238,304</u>	<u>\$ 55,273,134</u>	<u>\$ (48,149,426)</u>	<u>\$ 885,362,012</u>

Primary Government:

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

General capital assets	\$ 864,567,403
Internal service funds	20,794,609
	<u>\$ 885,362,012</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

6. CAPITAL ASSETS, continued:

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 10,804,241	\$ 262,100	\$	\$ 11,066,341
Easements	28,943			28,943
Construction in progress	3,711,613	197,351	(3,579,732)	329,232
Total capital assets not being depreciated	<u>14,544,797</u>	<u>459,451</u>	<u>(3,579,732)</u>	<u>11,424,516</u>
Capital assets being depreciated:				
Buildings	138,784,502	950,979	(2,597)	139,732,884
Improvements	34,984,521	710,975		35,695,496
Computer Software	343,877	10,000		353,877
Machinery & Equipment	25,727,821	2,883,926	(942,560)	27,669,187
Exhibits	14,432,266	175,966		14,608,232
Landfill	3,865,986			3,865,986
Infrastructure	67,160,138	3,172,018		70,332,156
Total capital assets being depreciated	<u>285,299,111</u>	<u>7,903,864</u>	<u>(945,157)</u>	<u>292,257,818</u>
Less accumulated depreciation for:				
Buildings	(59,238,033)	(3,761,063)	2,597	(62,996,499)
Improvements	(23,013,936)	(1,087,189)		(24,101,125)
Computer Software	(116,668)	(55,793)		(172,461)
Machinery & Equipment	(18,732,736)	(1,960,283)	890,103	(19,802,916)
Exhibits	(13,984,964)	(108,916)		(14,093,880)
Landfill	(3,658,730)	(2,778)		(3,661,508)
Infrastructure	(28,535,039)	(1,036,714)		(29,571,753)
Total accumulated depreciation	<u>(147,280,106)</u>	<u>(8,012,736)</u>	<u>892,700</u>	<u>(154,400,142)</u>
Total capital assets being depreciated, net	<u>138,019,005</u>	<u>(108,872)</u>	<u>(52,457)</u>	<u>137,857,676</u>
Business-type activities capital assets, net	<u>\$ 152,563,802</u>	<u>\$ 350,579</u>	<u>\$ (3,632,189)</u>	<u>\$ 149,282,192</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	\$ 2,711,709	\$ 2,386,284	\$ 5,097,993
Health	782,993		782,993
Public welfare	44,249		44,249
Public safety	3,314,368		3,314,368
Streets and highways	6,249,812		6,249,812
Culture and recreation	415,257		415,257
Education	3,951,438		3,951,438
Total depreciation expense - governmental activities	<u>\$ 17,469,826</u>	<u>\$ 2,386,284</u>	<u>\$ 19,856,110</u>
Business - type activities:			
Culture and recreation	\$ 4,596,552		
Sanitation	3,416,184		
Total depreciation expense - business-type activities	<u>\$ 8,012,736</u>		*

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

6. CAPITAL ASSETS , continued:

*Depreciation expense in the amount of \$1,484,555 was capitalized as part of self-constructed assets in the Wastewater Management Fund.

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

	Governmental Activities
Improvements	\$ 157,589
Computer Software	171,225
Machinery and equipment	20,968,934
Less accumulated depreciation	<u>(5,467,444)</u>
Capital assets, net	<u><u>\$ 15,830,304</u></u>

No equipment was acquired through a capital lease during fiscal year ended June 30, 2016. Depreciation expense on the leased assets totaled \$1,816,902 for the fiscal year ended June 30, 2016.

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:	<u>5,111,045</u>			<u>5,111,045</u>
Capital assets being depreciated:				
Buildings	48,962,686			48,962,686
Improvements	310,100			310,100
Machinery & Equipment	42,385,879	757,519	(2,289,428)	40,853,970
Total capital assets being depreciated	<u>91,658,665</u>	<u>757,519</u>	<u>(2,289,428)</u>	<u>90,126,756</u>
Less accumulated depreciation for:				
Buildings	(48,824,563)	(138,123)		(48,962,686)
Improvements	(213,194)	(15,505)		(228,699)
Machinery & Equipment	(35,270,189)	(1,751,089)	2,248,958	(34,772,320)
Total accumulated depreciation	<u>(84,307,946)</u>	<u>(1,904,717)</u>	<u>2,248,958</u>	<u>(83,963,705)</u>
Total capital assets being depreciated, net	<u>7,350,719</u>	<u>(1,147,198)</u>	<u>(40,470)</u>	<u>6,163,051</u>
School Board capital assets, net	<u><u>\$ 12,461,764</u></u>	<u><u>\$ (1,147,198)</u></u>	<u><u>\$ (40,470)</u></u>	<u><u>\$ 11,274,096</u></u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

6. CAPITAL ASSETS , continued:

Economic Development Authority:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,802,769	\$	\$	\$ 15,802,769
Total capital assets not being depreciated	<u>15,802,769</u>			<u>15,802,769</u>
Capital assets being depreciated:				
Infrastructure	2,049,350			2,049,350
Total capital assets being depreciated	<u>2,049,350</u>			<u>2,049,350</u>
Less accumulated depreciation for:				
Infrastructure	(1,168,615)	(102,467)		(1,271,082)
Total accumulated depreciation	<u>(1,168,615)</u>	<u>(102,467)</u>		<u>(1,271,082)</u>
Total capital assets being depreciated, net	<u>880,735</u>	<u>(102,467)</u>		<u>778,268</u>
Economic Development Authority capital assets, net	<u>\$ 16,683,504</u>	<u>\$ (102,467)</u>	<u>\$</u>	<u>\$ 16,581,037</u>

Downtown Hampton Development Partnership, Inc:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Improvements	\$ 437,867	\$ 8,670	\$	\$ 446,537
Computer Software	9,000			9,000
Machinery & Equipment	96,942	2,285		99,227
Total capital assets being depreciated	<u>543,809</u>	<u>10,955</u>		<u>554,764</u>
Less accumulated depreciation	<u>(234,976)</u>	<u>(32,228)</u>		<u>(267,204)</u>
Downtown Hampton Development Partnership capital assets, net	<u>\$ 308,833</u>	<u>\$ (21,273)</u>	<u>\$</u>	<u>\$ 287,560</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

6. CAPITAL ASSETS , continued:

Coliseum Central Business Improvement District, Inc:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Computer Software	\$ 4,580	\$	\$	\$ 4,580
Machinery & Equipment	147,359	3,384	(9,605)	141,138
Total capital assets being depreciated	151,939	3,384	(9,605)	145,718
Less accumulated depreciation	(119,419)	(14,896)	9,605	(124,710)

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

	\$ 32,520	\$ (11,512)	\$ -	\$ 21,008
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Construction in Progress

Several capital projects were in various stages of completion on June 30, 2016. 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, 2016, construction in progress by project was comprised as follows:

	Project Authorization	Expended to June 30, 2016
<u>Governmental Activities</u>		
Infrastructure	\$ 44,173,792	\$ 17,916,426
Construction and renovation	4,927,865	1,572,882
Computer Hardware and Software	1,053,797	830,141
	\$ 50,155,454	\$ 20,319,449
<u>Business-type Activities</u>		
Wastewater Management - Sewer Projects	\$ 2,100,000	\$ 329,232
	\$ 2,100,000	\$ 329,232

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, 2016 (Budget basis)	\$ 95,398,011
Pearl Young Fund's fund balances	67,323
Exhibit A-4 Fund balances, June 30, 2016 (GAAP)	\$ 95,465,334

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
Serial bonds	\$ 270,229,570	\$	\$ (22,336,163)	\$ 247,893,407	\$ 21,738,152
Unamortized premium and discount	35,831,048		(2,764,195)	33,066,853	2,755,100
Capital leases	8,290,093		(1,491,905)	6,798,188	1,673,541
Capital leases - Internal Service Funds	3,603,820		(884,513)	2,719,307	874,060
Compensated absences	7,608,845	3,299,363	(3,545,316)	7,362,892	3,545,316
Compensated absences - Internal Service Funds	159,635	82,697	(63,137)	179,195	63,137
Claims and judgements - Internal Service Funds	10,668,203	492,089	(6,354,155)	4,806,137	3,559,162
Net OPEB obligation - Line of Duty Benefits	2,411,934	762,903	(53,597)	3,121,240	
Net pension liability - Internal Service Funds	2,195,795	214,690		2,410,485	
Net OPEB obligation - Healthcare Benefits	40,096,145	7,034,728	(3,039,969)	44,090,904	
Net pension liability	127,657,263	4,854,187		132,511,450	
	<u>\$ 508,752,351</u>	<u>\$ 16,740,657</u>	<u>\$ (40,532,950)</u>	<u>\$ 484,960,058</u>	<u>\$ 34,208,468</u>
Governmental activities long-term liabilities					

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, 2016

Long-term liabilities (detail above)	\$ 484,960,058
Less debt - Internal Service Fund	<u>(10,115,124)</u>
Combined adjustment	<u>\$ 474,844,934</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, 2016 and reflected the liability, if any, in the governmental activities column of the Statement of Net Position.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 81,640,000	\$	\$ (2,435,000)	\$ 79,205,000	\$ 2,555,000
Serial bonds	3,610,430		(373,837)	3,236,593	391,848
Unamortized premium and discount	10,322,017		(636,240)	9,685,777	636,240
Total bonds payable	95,572,447		(3,445,077)	92,127,370	3,583,088
Net pension liability	11,942,061	453,941	(238,879)	12,157,123	
Compensated absences	796,130	442,943	(370,782)	868,291	370,782
Business-type activities long-term liabilities	<u>\$ 108,310,638</u>	<u>\$ 896,884</u>	<u>\$ (4,054,738)</u>	<u>\$ 105,152,784</u>	<u>\$ 3,953,870</u>
Component Units:					
School Board:					
Compensated absences	\$ 6,115,641	\$ 1,965,158	\$ (1,959,347)	\$ 6,121,452	\$ 1,960,000
Capital leases	212,795		(122,927)	89,868	90,000
Net OPEB obligation	10,149,729	391,086	(995,817)	9,544,998	
Net pension liability	204,090,804		(217,366)	203,873,438	
Total School Board	<u>\$ 220,568,969</u>	<u>\$ 2,356,244</u>	<u>\$ (3,295,457)</u>	<u>\$ 219,629,756</u>	<u>\$ 2,050,000</u>
Economic Development Authority:					
Revenue bonds payable	<u>\$ 5,021,892</u>	<u>\$</u>	<u>\$ (686,604)</u>	<u>\$ 4,335,288</u>	<u>\$ 729,460</u>

Enterprise Funds

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

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

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

In prior years, the City defeased certain revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On June 30, 2016, no defeased bonds were outstanding.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

Revenue bond debt service requirements to maturity are as follows:

<u>Fiscal year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,555,000	\$ 3,917,435
2018	2,680,000	3,791,388
2019	2,815,000	3,656,104
2020	2,960,000	3,511,919
2021	3,110,000	3,360,150
2022-2026	18,095,000	14,258,818
2027-2031	23,370,000	9,085,801
2032-2036	23,620,000	2,451,394
	<u>\$ 79,205,000</u>	<u>\$ 44,033,009</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:

<u>General Obligation Bonds</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 391,848	\$ 159,692
2018	411,834	140,099
2019	431,976	119,507
2020	453,936	97,908
2021	476,213	75,212
2022-2026	1,070,786	118,826
	<u>\$ 3,236,593</u>	<u>\$ 711,244</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

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, 2016 are as follows:

	2002 Revenue Bonds
	<u>Tax-Exempt</u>
Outstanding Debt	\$ 4,335,288
Interest	6.17%
Years of maturity	2017- 2022

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

<u>Year</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 729,460	\$ 260,599
2018	776,573	213,486
2019	825,913	164,146
2020	878,387	111,672
2021	933,997	56,062
2022-2023	190,958	5,924
	<u>\$ 4,335,288</u>	<u>\$ 811,889</u>

Discretely Presented Component Unit-School Board:

On February 8, 2013, the School Board entered into a master maintenance and sales lease agreement with Ricoh Business Solutions. The lease is payable in monthly installments of \$4,190 at an interest rate of 4.1%. At June 30, 2016 the outstanding balance on the lease is \$33,523.

On March 27, 2013, the School Board entered into a master lease purchase agreement with Wells Fargo to purchase forty-nine copiers. The lease is payable in monthly installments of \$6,361 at an interest rate of 3.85%. At June 30, 2016 the outstanding balance on the lease is \$56,344.

Internal Service Funds:

The City is self-insured for workmen's compensation benefits and general liability insurance claims. At June 30, 2016, the liability for existing claims amounted to \$4,806,137. Workmens' compensation benefit claims are payable weekly or monthly through 2023.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

Equipment Replacement Fund:

On July 9, 2009, the City entered into a master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation to purchase rolling-stock equipment. During fiscal year 2010, the City financed a fire truck through this agreement. The lease is payable in 14 quarterly remaining equal installments of \$16,899 at an interest rate of 4.52%. At June 30, 2016 the outstanding balance on the lease is \$217,691. On June 25, 2012 the City extended the term under this master lease purchase agreement and financed the replacement of eight fire trucks. The lease is payable in 12 quarterly equal installments of \$216,134 at an interest rate of 2.24%. At June 30, 2016, the outstanding balance on the lease is \$2,501,616.

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>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 3,559,162	2017	\$ 874,060	\$ 58,072
2018	341,805	2018	895,178	36,955
2019	324,452	2019	916,835	15,300
2020	257,456	2020	33,234	555
2021	151,671	2021		
2022-2024	171,591	2022		
	<u>\$ 4,806,137</u>		<u>\$ 2,719,307</u>	<u>\$110,882</u>

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2016 are as follows:

General Obligation Bonds Outstanding	\$247,893,407
Coupon interest rate	2.0% to 5.63%
Years of maturity	2017-2035

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

<u>General Obligation Bonds</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 21,738,152	\$ 10,959,076
2018	21,973,166	10,181,521
2019	19,943,024	9,272,941
2020	19,976,064	8,537,844
2021	17,288,787	7,648,641
2022-2026	85,799,214	25,002,540
2027-2031	43,785,000	6,979,610
2032-2035	17,390,000	1,298,775
	<u>\$247,893,407</u>	<u>\$ 79,880,948</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

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

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

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

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

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

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

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

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

In prior years, the City defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On June 30, 2016, \$93,725,000 of bonds outstanding are considered defeased.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

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 8 remaining semi-annual installments at an interest rate of 1.1742%. The final payment is due March 1, 2020.

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

Year	Capital Leases	
	Principal	Interest
2017	\$ 1,673,541	\$ 74,946
2018	1,688,314	60,174
2019	1,708,138	40,350
2020	1,728,195	20,292
	\$ 6,798,188	\$ 195,762

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, 2016, the City's aggregate general obligation indebtedness was \$251,130,000, which is \$770,467,580 less than the State limit.

Overlapping Debt:

There are no overlapping or underlying tax jurisdictions.

9. DEFINED BENEFIT PENSION PLANS:

The City contributes to two pension plans for its employees, 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: \$147,278,749 net pension liabilities, \$477,899,510 pension assets, \$20,338,317 deferred outflows of resources, \$13,925,085 deferred inflows of resources and \$11,620,226 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,

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

9. DEFINED BENEFIT PENSION PLANS , continued:

1984, are members. HERS was closed to new entrants effective July 1, 1984.

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

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

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

Employees Covered by Benefit Terms - HERS:

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

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

Contributions - HERS:

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

Net Pension Liability - HERS:

The City of Hampton's and Component Unit - School Board's net pension liability was measured as of June 30, 2016, 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, 2016 actuarial valuation was determined using the following actuarial

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

9. DEFINED BENEFIT PENSION PLANS , continued:

assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Annuitant and Non-Annuitant Health Mortality Table projected with Scale AA to 2010. The actuarial assumptions used for the June 30, 2016 valuation were based on the results of an experience study for the period July 1, 2005 through June 30, 2009.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity- Large	44%	7.20%
U.S. Equity-Small and Mid	9%	8.90%
International Equity	10%	7.40%
Fixed Income	37%	2.10%
Total	<u>100%</u>	

The discount rate used to measure the total pension liability was 7.50 percent. A formal cash flow projection was not performed; however, the assumption was made that the City 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 remaining unfunded actuarial liability as a level dollar amount over a closed 8 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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

9. DEFINED BENEFIT PENSION PLANS , continued:

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, 2015	\$ 165,593,438	\$ 130,164,780	\$ 35,428,658
Changes for the year:			
Service cost	188,078		188,078
Interest	11,796,729		11,796,729
Contributions-employer		8,880,839	(8,880,839)
Net investment income		2,144,248	(2,144,248)
Benefit payments, including refunds of employee contributions	(17,101,282)	(17,101,282)	
Administrative expense		(386,247)	386,247
Net Changes	<u>(5,116,475)</u>	<u>(6,462,442)</u>	<u>1,345,967</u>
Balances at June 30, 2016	<u>\$ 160,476,963</u>	<u>\$ 123,702,338</u>	<u>\$ 36,774,625</u>

At June 30, 2016, the City and School Board reported a net pension liability of \$17,888,870 and \$18,885,755, respectively.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 48,266,592	\$ 36,717,740	\$ 26,554,688

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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

9. DEFINED BENEFIT PENSION PLANS, continued:

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

For the year ended June 30, 2016, the City and School Board recognized pension expense of \$2,578,180 and \$2,670,278, respectively. At June 30, 2016, the City of Hampton and Component Unit - School Board reported deferred outflows of resources related to pensions from the following sources:

	City	School Board
	Deferred Outflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 4,096,713	\$ 4,338,805
Total	\$ 4,096,713	\$ 4,338,805

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

Year ended June 30:	City	School Board
2017	\$ 1,139,227	\$ 1,185,726
2018	1,139,227	1,185,726
2019	1,139,228	1,185,727
2020	679,031	781,626

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, 2016

9. DEFINED BENEFIT PENSION PLANS , continued:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

9. DEFINED BENEFIT PENSION PLANS , continued:

<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • School division employees • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
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CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

9. DEFINED BENEFIT PENSION PLANS , continued:

<p>Retirement Contributions Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016

9. DEFINED BENEFIT PENSION PLANS , continued:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

9. DEFINED BENEFIT PENSION PLANS , continued:

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

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

<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one 	<p>COLA in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>COLA in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
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CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

9. DEFINED BENEFIT PENSION PLANS , continued:

<p>full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p>Not applicable to VRS Teacher Retirement plan members.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p>Not applicable to VRS Teacher Retirement plan members.</p>	<p>Disability Coverage Eligible political subdivision and school division (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from the date of hire or return from their leave to purchase all but refunded prior service at approximate normal cost. After that period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

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

Employees Covered by Benefit Terms - VRS Retirement Plan

As of the June 30, 2014 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	1,455	237
Inactive members:		
Vested inactive members	310	23
Non-vested inactive members	690	120
Inactive members active elsewhere in VRS	546	59
Total inactive members	1,546	202
Active members	1,868	337
Total covered employees	4,869	776

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, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Title 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the Teacher Retirement Plan from the School Board were \$14,808,006 and \$15,356,866 for the years ended June 30, 2016 and June 30, 2015, 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, 2016 were 18.44% and 10.81% of covered employee compensation, respectively. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$16,241,604 and \$15,816,817 for the years ended June 30, 2016

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

9. DEFINED BENEFIT PENSION PLANS , continued:

and June 30, 2015, respectively. Contributions to the pension plan from the School Board were \$427,758 and \$411,361 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability - VRS Retirement Plan

The City and School Board's nonprofessional employees net pension liabilities were measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

At June 30, 2016, the School Board reported a liability of \$180,096,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the School Board's proportion was 1.43% as compared to 1.50% at June 30, 2014.

For the year ended June 30, 2016, the School Board recognized pension expense of \$12,391,860. 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, 2016, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 2,480,000
Net difference between projected and actual earnings on pension plan investments		11,029,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,979,000	8,379,000
Employer contributions subsequent to the measurement date	14,808,006	
	<u>\$ 16,787,006</u>	<u>\$ 21,888,000</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

9. DEFINED BENEFIT PENSION PLANS , continued:

\$14,808,006 was 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2017	\$ (6,230,000)
2018	\$ (6,230,000)
2019	\$ (6,230,000)
2020	\$ (79,000)
2021	\$ (1,140,000)

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, 2014, 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, 2015.

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

9. DEFINED BENEFIT PENSION PLANS , continued:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – VRS Retirement Plan General Employees

The total pension liability for General Employees in the Political Subdivision’s Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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.

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

9. DEFINED BENEFIT PENSION PLANS, continued:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

Actuarial Assumptions – VRS Retirement Plan Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

Largest 10 - LEOS:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) - LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 2, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

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

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

Discount Rate

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2014	\$532,493,812	\$407,774,878	\$124,718,934
Changes for the year:			
Service cost	10,960,536		10,960,536
Interest	36,276,354		36,276,354
Differences between expected and actual experience	(4,100,921)		(4,100,921)
Contributions-employer		15,816,808	(15,816,808)
Contributions-employee		4,393,892	(4,393,892)
Net investment income		18,515,581	(18,515,581)
Benefit payments, including refunds of employee contributions	(28,520,380)	(28,520,380)	
Administrative expense		(257,367)	257,367
Other changes		(3,890)	3,890
Net changes	<u>14,615,589</u>	<u>9,944,644</u>	<u>4,670,945</u>
Balances at June 30, 2015	<u>\$547,109,401</u>	<u>\$417,719,522</u>	<u>\$129,389,879</u>

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, 2014	\$ 30,069,503	\$ 26,048,429	\$ 4,021,074
Changes for the year:			
Service cost	791,558		791,558
Interest	2,022,874		2,022,874
Differences between expected and actual experience	(220,586)		(220,586)
Contributions-employer		411,361	(411,361)
Contributions-employee		193,337	(193,337)
Net investment income		1,135,856	(1,135,856)
Benefit payments, including refunds of employee contributions	(2,342,607)	(2,342,607)	
Administrative expenses		(17,081)	17,081
Other changes		(236)	236
Net changes	<u>251,239</u>	<u>(619,370)</u>	<u>870,609</u>
Balances at June 30, 2015	<u>\$ 30,320,742</u>	<u>\$ 25,429,059</u>	<u>\$ 4,891,683</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

9. DEFINED BENEFIT PENSION PLANS , continued:

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7%)	1.00% Increase (8%)
School Division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 263,553,000	\$ 180,096,000	\$ 111,393,000

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7%)	1.00% Increase (8%)
City of Hampton Plan's Net Pension Liability	\$ 197,891,820	\$ 129,389,879	\$ 72,243,150
Component Unit-School Board Nonprofessional Employees Plan's Net Pension Liability	\$ 8,362,267	\$ 4,891,683	\$ 1,965,894

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

9. DEFINED BENEFIT PENSION PLANS, continued:

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

City

For the year ended June 30, 2016, the City recognized pension expense of \$9,042,046. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 2,998,523
Net difference between projected and actual earnings on pension plan investments		10,926,562
Employer contributions subsequent to the measurement date	16,241,604	
Total	\$ 16,241,604	\$ 13,925,085

\$16,241,604 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, 2017. 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			
2017	\$	(5,393,164)	
2018		(5,393,164)	
2019		(5,084,494)	
2020		1,945,737	

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

9. DEFINED BENEFIT PENSION PLANS, continued:

School Board Nonprofessional Employees

For the year ended June 30, 2016, the School Board recognized pension expense of \$513,820. At June 30, 2016, 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	\$	\$ 147,057
Net difference between projected and actual earnings on pension plan investments		692,904
Employer contributions subsequent to the measurement date	427,758	
Total	\$ 427,758	\$ 839,961

\$427,758 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, 2017. 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	
2017	\$ (346,238)
2018	(346,237)
2019	(272,707)
2020	125,221
	\$ (839,961)

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 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/PDF/Publications/2015-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, 2016, the City reported a payable of \$1,218,486 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

10. DEFERRED COMPENSATION PLAN:

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

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

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

11. JOINT VENTURE:

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

The Authority opened the jail facility on March 16, 1998. Summarized financial information for the Authority for fiscal year ending June 30, 2015 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	\$ 35,985,854
Expenditures and other uses	<u>(35,731,760)</u>
Change in fund equity	254,094
Net position, as adjusted, July 1, 2014	<u>8,409,960</u>
Net position, June 30, 2015	<u><u>\$ 8,664,054</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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

12. COMMITMENT AND CONTINGENCIES:

Grants:

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

Leases:

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

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

Land	\$	28,366
Buildings		14,341,277
Improvements		4,199,967
Less accumulated depreciation		(9,634,103)
Capital Assets, net	<u>\$</u>	<u>8,935,507</u>

A summary of future minimum rental payments under the operating leases at June 30, 2016 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Future Rental Income</u>
2017	\$ 920,946	\$ 287,549
2018	846,974	273,220
2019	824,968	248,968
2020	832,506	216,284
2021	687,306	29,929
2022-2026	1,454,906	36
2027-2031	124,842	
	<u>\$ 5,692,448</u>	<u>\$ 1,055,986</u>

The City's rental expense and rental income for the year ended June 30, 2016 amounted to \$1,612,433 and \$224,339, respectively.

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

The City has entered into a three-party agreement with the Hampton Redevelopment and Housing Authority (HRHA) and private developers related to the Harbour Center in the downtown area. The future lease commitment for this project is \$758,102 for the lease of the garage facility through December 2017. (A portion of the garage lease payments will be offset by fees charged for parking.)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

12. COMMITMENT AND CONTINGENCIES , continued:

A summary of future minimum rent payments under the operating lease with Harbour Center at June 30, 2016 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 505,401
2018	252,701
	\$ 758,102

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	100,000 per person/plan year	100,000

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

All funds of the City participate in the program and make payments to the Risk Management and General Fund based on historical cost information. The unrestricted net position of \$12,728,332 at June 30, 2016 is designated as a reserve for claims in the Risk Management Fund. The City accrues claims and judgments as incurred by a review of all claims on a case-by-case basis. Claims incurred, but not reported, were considered in the determination of the claims liability.

Changes in the Funds' claims liability amount in fiscal years 2016 , 2015 and 2014 were:

<u>Risk Management Fund</u>	<u>Claims Liability</u> <u>July 1</u>	<u>Incurred</u> <u>Claims</u>	<u>Claims</u> <u>Payment</u>	<u>Claims Liability</u> <u>June 30</u>
Fiscal Year 2016	\$ 10,668,203	\$ 492,089	\$ 6,354,155	\$ 4,806,137
Fiscal Year 2015	2,153,808	10,228,672	1,714,277	10,668,203
Fiscal Year 2014	5,355,903	867,525	4,069,620	2,153,808

<u>General Fund</u>	<u>Claims Liability</u> <u>July 1</u>	<u>Incurred</u> <u>Claims</u>	<u>Claims</u> <u>Payment</u>	<u>Claims Liability</u> <u>June 30</u>
Fiscal Year 2016	\$ 575,585	\$ 15,445,558	\$ 15,478,261	\$ 542,882
Fiscal Year 2015	726,963	16,070,517	16,221,895	575,585
Fiscal Year 2014	613,007	16,145,018	16,031,062	726,963

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

12. COMMITMENT AND CONTINGENCIES , continued:

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, 2016, 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, 2016 were as follows:

General Fund	\$ 1,721,603
Capital Projects Funds	13,761,506
Special Revenue - Economic Development Fund	34,705
Other Governmental Funds	664,274
Total Encumbrances	<u>\$ 16,182,088</u>

13. POST-RETIREMENT HEALTH CARE BENEFITS:

Plan Description:

The City and Component Unit - Hampton City School Board (School Board) each administer a single-employer defined benefit healthcare plan in addition to the pension benefits described in Note 9. The City and School Board Other Postemployment Benefit Plans provide post-retirement health care benefits, in accordance with the Personnel Policies and Procedures, to all full-time, salaried permanent employees and public safety officers who retire on or after attaining age 55 and 50 respectively, with at least 5 years of service, as well as to employees who qualify for a disability retirement. Currently, 703 City retirees meet these eligibility requirements. Hampton City School Board employees accumulate an unlimited number of sick leave days. The School Board's post-retirement health care plan allows employees at retirement, instead of taking payment for these sick leave days, the employee may elect to take a specified credit toward their post retirement health insurance costs. During fiscal year 2016, 53 employees were participating in this plan and the cost was \$81,754. Separate, stand-alone statements are not issued for this plan.

Funding Policy:

The City Council and Hampton School Board has the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% to 100% of the premiums based on the retiree's years of continuous health care coverage and the health care option selected by the retirees. The employer contributions are financed on a pay-as-you-go basis. During fiscal year 2016, the City contributed \$3,039,969, or approximately 55% of total premiums for post-retirement health care benefits. Plan members receiving benefits contributed \$2,455,802 or approximately 45% of total premiums. Member contributions are 3% of covered payroll. The School Board contributed \$995,817 in fiscal year 2016 or approximately 41% of total premiums.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

13. POST-RETIREMENT HEALTH CARE BENEFITS , continued:

Annual OPEB Cost and Net OPEB Obligation:

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

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

	Component Unit	
	City of Hampton	School Board
Annual required contribution	\$ 7,749,651	\$ 572,058
Interest on net OPEB obligation	1,603,846	405,989
Adjustment to ARC	(2,318,769)	(586,961)
Annual OPEB cost	7,034,728	391,086
Contributions made	(3,039,969)	(995,817)
Increase in OPEB obligation	3,994,759	(604,731)
Net OPEB obligation - beginning of year	40,096,145	10,149,729
Net OPEB obligation - end of year	<u>\$ 44,090,904</u>	<u>\$ 9,544,998</u>

The City and School Board's annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2015 and 2016 are as follows:

City of Hampton

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost		Net OPEB Obligation
			Contributed		
June 30, 2014	\$ 6,356,196	\$ 2,283,544	36%		\$ 36,908,428
June 30, 2015	6,036,241	2,848,524	47%		40,096,145
June 30, 2016	7,034,728	3,039,969	43%		44,090,904

Component Unit-School Board

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost		Net OPEB Obligation
			Contributed		
June 30, 2014	\$ 1,404,274	\$ 486,681	35%		\$ 9,640,643
June 30, 2015	913,113	404,027	44%		10,149,729
June 30, 2016	391,086	995,817	255%		9,544,998

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

13. POST-RETIREMENT HEALTH CARE BENEFITS , continued:

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2016 for the City and School Board, the funded status of the plans were as follows:

	<u>City</u>	<u>School Board</u>
Actuarial accrued liability (AAL)	\$ 76,101,599	\$ 5,518,728
Actuarial value of plan assets		
Unfunded actuarial accrued liability (UAAL)	<u>\$ 76,101,599</u>	<u>\$ 5,518,728</u>
Funded ratio (actuarial value of plan assets/AAL)	0 %	0 %
Covered payroll (active plan members)	\$ 89,403,642	\$ 111,797,254
UAAL as a percentage of covered payroll	85 %	5 %

Actuarial Methods and Assumptions:

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

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

In the June 30, 2016 actuarial valuation for the City and School Board, the projected unit credit (PUC) cost method was used. The objective under PUC is to fund each participant's benefits under the plan as they would accrue. The unfunded actuarial liability is amortized as an open level dollar amount over a period of 30 years. The actuarial assumptions included a future inflation rate of 2.5%. A discount rate of 4% per annum net of expenses was used for an unfunded plan. For the City's pre-medicare, the healthcare cost trend rates ranged from an initial rate of 7.5% to an ultimate rate of 5% for 2020. For the City's medicare eligible, the healthcare cost trend rates ranged from an initial rate of 5.50% to an ultimate rate of 5% for 2017. Retiree medical contributions are assumed to increase at the same rates as incurred claims. For the School Board, healthcare cost trend rates ranged from an initial rate of 7.5% to an ultimate rate of 5% for 2020.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS:

Plan Description:

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

Funding Policy

The LODA requires the City to pay 100% of all line of duty benefits including the employee's share of insurance coverages. The employer contributions are financed on a pay-as-you-go basis. During fiscal year 2016, the City contributed \$53,597 for line of duty benefits.

Annual OPEB Cost and Net OPEB Obligation:

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

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

	City OPEB LODA Benefits
Annual required contribution	\$ 805,909
Interest on net OPEB obligation	96,477
Adjustment to ARC	<u>(139,483)</u>
Annual OPEB cost	\$ 762,903
Contributions made	<u>(53,597)</u>
Increase in net OPEB obligation	709,306
Net OPEB obligation - beginning of year	\$ 2,411,934
Net OPEB obligation - end of year	<u>\$ 3,121,240</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS: , continued

The City's annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2015 and 2016 are as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 901,083	\$ 106,456	12 %	\$ 1,540,461
June 30, 2015	\$ 944,192	\$ 72,719	8 %	\$ 2,411,934
June 30, 2016	\$ 762,903	\$ 53,597	7 %	\$ 3,121,240

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2016 for the City, the funded status of the plan was as follows:

	<u>City of Hampton OPEB LODA Benefits</u>
Actuarial Accrued liability (AAL)	\$ 8,240,854
Actuarial value of plan assets	
Unfunded actuarial accrued liability (UAAL)	<u>\$ 8,240,854</u>
Funded ratio (actuarial value of plan assets/AAL)	0 %
Covered payroll (active plan members)	\$ 31,215,772
UAAL as a percentage of covered payroll	26 %

Actuarial Methods and Assumptions:

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS: , continued

with the long-term perspective of the calculations.

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

15. LEASE RECEIVABLES:

The EDA issued Revenue Bonds (Note 8) to construct the Peninsula Workforce Development Center (PWDC). Under terms of agreements with this organization, revenue generated from the lease of the building is used to make the bond payments with the lease term being equivalent to the life of the bond. As of June 30, 2016, future lease receivable is \$4,950,297 from PWDC.

The minimum lease payments for the next future years are:

2017	\$ 990,059
2018	990,059
2019	990,059
2020	990,059
2021	<u>990,061</u>
Total	<u>\$ 4,950,297</u>

As of June 30, 2016, the balance of unearned interest income associated with the PWDC is \$842,396.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

16. RESTATEMENT OF BEGINNING NET POSITION

Beginning fund balance for the General Fund and net position for the Risk Management Fund and Governmental Activities were restated as the Net OPEB obligation for the line of duty program was transferred from the Risk Management Fund to Governmental Activities. This change had the following effect on the beginning net position as previously reported:

General Fund	
Fund balance, beginning of year	\$ 93,318,193
Unspent line of duty premiums	289,406
	<u> </u>
Fund balance, beginning of year, as restated	<u>\$ 93,607,599</u>
Risk Management Fund	
Net position, beginning of year	\$ 7,231,388
Net OPEB obligation- Line of Duty	2,411,934
Unspent line of duty premiums	(289,406)
	<u> </u>
Net position, beginning of year, as restated	<u>\$ 9,353,916</u>
Governmental Activities - Internal Service Funds	
Net position, beginning of year	\$ 25,540,507
Net OPEB obligation- Line of Duty	2,411,934
Unspent line of duty premiums	(289,406)
	<u> </u>
Net position, beginning of year, as restated	<u>\$ 27,663,035</u>

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

	2016	2015	2014
Total pension liability			
Service cost	\$ 188,078	\$ 112,348	\$ 373,903
Interest	11,796,729	12,183,886	12,518,593
Differences between expected and actual experience		(425,331)	296
Benefit payments, including refunds of employee contributions	(17,101,282)	(17,040,172)	(17,032,982)
Net change in total pension liability	(5,116,475)	(5,169,269)	(4,140,190)
Total pension liability-beginning	165,593,438	170,762,707	174,902,897
Total pension liability-ending (a)	<u>\$ 160,476,963</u>	<u>\$ 165,593,438</u>	<u>\$ 170,762,707</u>
Plan fiduciary net position			
Contributions-employer	\$ 8,880,839	\$ 8,880,839	\$ 6,628,122
Net investment income	2,144,248	5,361,684	20,494,864
Benefit payments, including refunds of employee contributions	(17,101,282)	(17,040,172)	(17,032,982)
Administrative expense	(386,247)	(299,195)	(278,663)
Net change in plan fiduciary net position	(6,462,442)	(3,096,844)	9,811,341
Plan fiduciary net position-beginning	130,164,780	133,261,624	123,450,283
Plan fiduciary net position-ending (b)	<u>\$ 123,702,338</u>	<u>\$ 130,164,780</u>	<u>\$ 133,261,624</u>
Net pension liability-ending (a)-(b)	<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	77.08 %	78.61 %	78.04 %
Covered-employee payroll	\$ 5,335,759	\$ 6,085,814	\$ 10,188,093
Net pension liability as a percentage of covered-employee payroll	689.21 %	582.15 %	368.09 %

Notes to Schedule:

- 1) Benefit Changes: No benefit changes were enacted in 2015 and 2016.
- 2) Changes in assumptions: No assumptions were changed in 2015 and 2016.
- 3) GAAP requires 10- year trend information. Fiscal year 2015 is the first year of implementation.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 8,880,839	\$ 8,880,839	\$ 6,628,122
Contributions in relation to the actuarially determined contribution	<u>8,880,839</u>	<u>8,880,839</u>	<u>6,628,122</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered-employee payroll	\$ 5,335,759	\$ 6,085,814	\$ 10,188,093
Contributions as a percentage of covered-employee payroll	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 2015 is the first year of implementation.

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

	2016	2015
Total pension liability		
Service cost	\$ 10,960,536	\$ 10,938,812
Interest	36,276,354	34,999,056
Differences between expected and actual experience	(4,100,921)	
Benefit payments, including refunds of employee contributions	<u>(28,520,380)</u>	<u>(26,861,136)</u>
Net change in total pension liability	14,615,589	19,076,732
Total pension liability-beginning	<u>532,493,812</u>	<u>513,417,080</u>
Total pension liability-ending (a)	<u>\$ 547,109,401</u>	<u>\$ 532,493,812</u>
Plan fiduciary net position		
Contributions-employer	\$ 15,816,808	\$ 16,046,763
Contributions-employee	4,393,892	4,400,548
Net investment income	18,515,581	56,039,049
Benefit payments, including refunds of employee contributions	(28,520,380)	(26,861,136)
Administrative expense	(257,367)	(304,392)
Other	<u>(3,890)</u>	<u>2,953</u>
Net change in plan fiduciary net position	9,944,644	49,323,785
Plan fiduciary net position-beginning	<u>407,774,878</u>	<u>358,451,093</u>
Plan fiduciary net position-ending (b)	<u>\$ 417,719,522</u>	<u>\$ 407,774,878</u>
Net pension liability-ending (a)-(b)	<u>\$ 129,389,879</u>	<u>\$ 124,718,934</u>
Plan fiduciary net position as a percentage of the total pension liability	76.35 %	76.58 %
Covered-employee payroll	\$ 86,291,441	\$ 86,428,123
Net pension liability as a percentage of covered-employee payroll	149.95 %	144.30 %

Notes to Schedule:

- 1) Benefit Changes: There have been no significant changes to the benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new 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. The liabilities presented do not reflect the hybrid plan since it covers new members joining the Plan after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.
- 2) Changes in assumptions: Changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the Plan for the four-year period ending June 30, 2012. Changes were made the mortality table, decrease in rates of service retirement, decrease in rates of disability retirement, reduced rates of salary increase by .25% per year, increase in rates of withdrawal.
- 3) GAAP requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

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

	2016	2015
Actuarially determined contribution	\$ 16,241,604	\$ 15,816,817
Contributions in relation to the actuarially determined contribution	16,241,604	15,816,817
Contribution deficiency (excess)	\$	\$
Covered-employee payroll	\$ 88,078,113	\$ 85,774,496
Contributions as a percentage of covered-employee payroll	18.44 %	18.44 %

Notes to Schedule

Valuation Date:

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

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
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2016	2015
Total pension liability		
Service cost	\$ 791,558	\$ 813,234
Interest	2,022,874	1,973,760
Differences between expected and actual experience	(220,586)	
Benefit payments, including refunds of employee contributions	(2,342,607)	(1,828,117)
Net change in total pension liability	251,239	958,877
Total pension liability-beginning	30,069,503	29,110,626
Total pension liability-ending (a)	\$ 30,320,742	\$ 30,069,503
Plan fiduciary net position		
Contributions-employer	\$ 411,361	\$ 900,981
Contributions-employee	193,337	372,764
Net investment income	1,135,856	3,582,353
Benefit payments, including refunds of employee contributions	(2,342,607)	(1,828,117)
Administrative expense	(17,081)	(19,666)
Other	(236)	188
Net change in plan fiduciary net position	(619,370)	3,008,503
Plan fiduciary net position-beginning	26,048,429	23,039,926
Plan fiduciary net position-ending (b)	\$ 25,429,059	\$ 26,048,429
Net pension liability-ending (a)-(b)	\$ 4,891,683	\$ 4,021,074
Plan fiduciary net position as a percentage of the total pension liability	83.87 %	86.63 %
Covered-employee payroll	\$ 3,802,628	\$ 7,346,439
Net pension liability as a percentage of covered-employee payroll	128.64 %	54.74 %

Notes to Schedule:

- 1)Benefit Changes: There have been no significant changes to the benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new 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. The liabilities presented do not reflect the hybrid plan since it covers new members joining the Plan after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.
- 2)Changes in assumptions: Changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the Plan for the four-year period ending June 30, 2012. Changes were made the mortality table, decrease in rates of service retirement, decrease in rates of disability retirement, reduced rates of salary increase by .25% per year, increase in rates of withdrawal.
- 3) GAAP requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

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

	2016	2015
Actuarially determined contribution	\$ 427,758	\$ 411,361
Contributions in relation to the actuarially determined contribution	427,758	411,361
Contribution deficiency (excess)	\$	\$
Covered-employee payroll	\$ 3,957,058	\$ 3,805,375
Contributions as a percentage of covered-employee payroll	10.81 %	10.81 %

Notes to Schedule

Valuation Date:

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

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
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2016	2015
School Board's proportion of the net pension liability (asset)	1.43 %	1.50 %
School Board's proportionate share of the net pension liability (asset)	\$ 180,096,000	\$ 181,847,000
School Board's covered-employee payroll	\$ 105,320,099	\$ 105,909,421
School Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	171.00 %	171.70 %
Plan fiduciary net position as a percentage of the total pension liability	70.68 %	70.88 %

Notes to Schedule:

1))Benefit Changes: There have been no significant changes to the benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new 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. 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, adjustments to the rates of service retirements, decrease in rates of disability, reduced rates of salary increase by .25% per year, and decrease in rates of withdrawals for 3 through 9 years of service.

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

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

	2016	2015
Contractually required contribution	\$ 18,586,601	\$ 19,270,757
Contribution in relation to the contractually required contribution	14,808,006	15,356,866
Contribution deficiency (excess)	\$ 3,778,595	\$ 3,913,891
School Board's covered-employee payroll	\$ 105,320,099	\$ 105,909,421
Contributions as a percentage of covered-employee payroll	14.1 %	14.5 %

Notes to Schedule

Valuation Date :

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

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

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF FUNDING PROGRESS-
OTHER POST-RETIREMENT BENEFIT PLANS

Fiscal Year Ended June 30, 2016

City of Hampton:

City of Hampton Post-Retirement Healthcare Benefits:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- PUC (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/14		\$ 63,663,962	\$ 63,663,962	0 %	\$ 86,642,952	73 %
6/30/15		71,286,975	71,286,975	0 %	88,537,233	81 %
6/30/16		76,101,599	76,101,599	0 %	89,403,642	85 %

City of Hampton Other PostEmployment Line of Duty Benefits:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- PUC (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/14		\$ 10,084,094	\$ 10,084,094	0 %	\$ 28,231,933	36 %
6/30/15		7,755,931	7,755,931	0 %	30,057,556	26 %
6/30/16		8,240,854	8,240,854	0 %	31,215,772	26 %

Component Unit-School Board Post-Retirement Healthcare Benefits:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- PUC (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/14		\$ 9,073,373	\$ 9,073,373	0 %	\$ 113,101,670	8 %
6/30/15		5,383,740	5,383,740	0 %	108,649,954	5 %
6/30/16		5,518,728	5,518,728	0 %	111,797,254	5 %

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CITY OF HAMPTON, VIRGINIA
GENERAL FUND
BALANCE SHEET
June 30, 2016

Assets:	
Cash and cash equivalents	\$ 81,719,499
Investments	15,996,946
Accounts receivables:	
Taxes (net of allowance for uncollectible of \$1,376,805)	9,035,505
Due from other governments	10,397,849
Other	1,500,210
Due from other funds	13,723,028
Due from component units	467
Inventories	25,804
Total assets	<u>\$ 132,399,308</u>
Liabilities:	
Accounts payable	\$ 9,982,069
Accrued health insurance	10,746,732
Accrued liabilities	4,274,072
Due to other funds	2,911,858
Due to component units	16,950
Unearned revenues	106,516
Total liabilities	<u>28,038,197</u>
Deferred inflows of resources:	
Unavailable revenue-property taxes	7,215,212
Property taxes collected in advance	1,747,890
Total deferred inflows of resources	<u>8,963,102</u>
Fund balances:	
Nonspendable	25,804
Restricted	351,408
Committed	34,470,341
Assigned	6,249,710
Unassigned	54,300,746
Total fund balances	<u>95,398,009</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 132,399,308</u>

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

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
REVENUES				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 38,898,403	\$ 55,116,757	\$ 54,580,912	\$ (535,845)
From the Federal government	9,267,361	9,267,361	9,502,199	234,838
Local taxes	249,674,656	234,220,727	236,456,047	2,235,320
Special assessments	4,706,332	4,706,332	6,358,400	1,652,068
Licenses and permits	1,296,144	1,296,144	1,408,572	112,428
Fines and forfeitures	2,087,265	2,087,265	1,549,731	(537,534)
Revenues from use of money and property	368,738	368,738	558,308	189,570
Charges for services	9,291,330	9,291,330	9,328,977	37,647
Recovered costs	906,000	906,000	906,000	
Payment from component units	2,000,000	2,000,000	2,000,119	119
Miscellaneous	3,927,762	3,927,762	3,982,154	54,392
Total revenues	322,423,991	323,188,416	326,631,419	3,443,003
EXPENDITURES				
Current:				
General government	107,887,507	110,077,561	105,011,514	(5,066,047)
Public safety	48,287,715	50,865,225	50,265,177	(600,048)
Highways and streets	2,284,951	2,176,211	2,026,296	(149,915)
Health	2,735,133	2,688,339	2,484,855	(203,484)
Human services	20,994,667	21,124,917	19,737,574	(1,387,343)
Culture and recreation	12,755,861	13,012,675	12,954,034	(58,641)
Education	73,241,418	73,241,418	73,183,348	(58,070)
Total expenditures	268,187,252	273,186,346	265,662,798	(7,523,548)
Excess of revenues over (under) expenditures	54,236,739	50,002,070	60,968,621	10,966,551
OTHER FINANCING SOURCES (USES)				
Transfers in	229,292	229,292	230,327	1,035
Transfers out	(58,140,017)	(64,754,209)	(59,341,396)	(5,412,813)
Net other financing sources (uses)	(57,910,725)	(64,524,917)	(59,111,069)	5,413,848
Net change in fund balances	(3,673,986)	(14,522,847)	1,857,552	<u>\$ 16,380,399</u>
Appropriations from fund balance	3,673,986	14,554,399		
Appropriations - encumbrances		(31,552)		
Fund balance - July 1, as restated			<u>93,540,457</u>	
Fund balance - June 30	<u>\$</u>	<u>\$</u>	<u>\$ 95,398,009</u>	

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

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	Budget July 1, 2015	Net Changes	Final June 30, 2016	Actual	Variance Over (Under)
General property taxes:					
Real estate	\$ 124,945,719	\$	\$ 124,945,719	\$ 125,885,740	\$ 940,021
Public service	3,789,802		3,789,802	3,998,751	208,949
Personal property	40,176,228	(15,453,929)	24,722,299	24,670,853	(51,446)
Mobile homes	40,910		40,910	42,182	1,272
Machinery and tools	2,150,625		2,150,625	2,392,120	241,495
Delinquent taxes	450,000		450,000	466,336	16,336
Penalty	1,009,000		1,009,000	1,087,225	78,225
Total general property taxes	<u>172,562,284</u>	<u>(15,453,929)</u>	<u>157,108,355</u>	<u>158,543,207</u>	<u>1,434,852</u>
Other local taxes:					
Utility-electric and gas	5,000,000		5,000,000	5,055,966	55,966
Communications sales tax	9,232,518		9,232,518	8,866,648	(365,870)
Tobacco	4,550,000		4,550,000	4,623,960	73,960
Business license	12,390,000		12,390,000	12,092,083	(297,917)
Short-term rental	72,000		72,000	101,258	29,258
Sales and use	15,083,767		15,083,767	15,368,336	284,569
Recordation	1,300,000		1,300,000	1,634,798	334,798
Public right of way	550,383		550,383	494,928	(55,455)
Lodging and transit	3,457,297		3,457,297	3,612,818	155,521
Amusement	1,218,306		1,218,306	1,065,986	(152,320)
Meal	19,377,331		19,377,331	20,072,472	695,141
Motor vehicle	4,403,135		4,403,135	4,374,912	(28,223)
Bank stock	477,635		477,635	548,675	71,040
Total other local taxes	<u>77,112,372</u>		<u>77,112,372</u>	<u>77,912,840</u>	<u>800,468</u>
License, permits and privilege fees:					
Animal licenses	55,000		55,000	41,306	(13,694)
Street and taxi permits	168,000		168,000	198,406	30,406
Zoning and land use	280,000		280,000	308,315	28,315
Building permits	771,544		771,544	823,375	51,831
Miscellaneous	21,600		21,600	37,170	15,570
Total license, permits and privilege fees	<u>1,296,144</u>		<u>1,296,144</u>	<u>1,408,572</u>	<u>112,428</u>
Total fines and forfeitures	<u>2,087,265</u>		<u>2,087,265</u>	<u>1,549,731</u>	<u>(537,534)</u>
Special assessments:					
Peninsula Town Center CDA	3,300,000		3,300,000	3,798,348	498,348
H2O CDA	611,302		611,302	1,757,334	1,146,032
Coliseum BID	558,994		558,994	571,289	12,295
Downtown BID	189,580		189,580	184,650	(4,930)
Elizabeth Lakes	46,456		46,456	46,779	323
Total special assessments	<u>4,706,332</u>		<u>4,706,332</u>	<u>6,358,400</u>	<u>1,652,068</u>
Revenue from use of money and property:					
Interest on investments	177,815		177,815	291,720	113,905
Rental of property	7,373		7,373	42,712	35,339
Sale of materials and property	65,019		65,019	77,777	12,758
Vending machines	3,000		3,000	15,940	12,940
Parking fees	48,000		48,000	40,192	(7,808)
Billboard revenue	67,531		67,531	69,557	2,026
Net increase (decrease) in fair value of investments				20,410	20,410
Total revenue from use of money and property	<u>\$ 368,738</u>		<u>\$ 368,738</u>	<u>\$ 558,308</u>	<u>\$ 189,570</u>

continued

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

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	Budget July 1, 2015	Net Changes	Final June 30, 2016	Actual	Variance Over (Under)
Charges for services:					
Fees:					
Court costs	\$ 1,000	\$	\$ 1,000	\$ 888	\$ (112)
Clerk	60,000		60,000	44,616	(15,384)
Court officers	26,000		26,000	32,155	6,155
Parks and Recreation	1,067,550		1,067,550	1,064,424	(3,126)
Youth, Education, and Family Services	1,274,694		1,274,694	1,452,635	177,941
Sheriff	55,376		55,376	67,325	11,949
Library	50,000		50,000	32,578	(17,422)
Jail admission fee	8,350		8,350	13,101	4,751
Ambulance services	3,919,061		3,919,061	4,045,715	126,654
Fire Prevention	205,600		205,600	214,413	8,813
Public education grant fees	200,000		200,000	206,884	6,884
Passport applications	50,000		50,000	34,400	(15,600)
Miscellaneous charges for services	186,839		186,839	210,406	23,567
Landfill host fees	800,000		800,000	699,990	(100,010)
Payment in lieu of taxes-Fort Monroe	983,960		983,960	983,960	
Boat license fee	402,900		402,900	225,487	(177,413)
Total charges for services	<u>9,291,330</u>		<u>9,291,330</u>	<u>9,328,977</u>	<u>37,647</u>
Miscellaneous revenue:					
Payment in lieu of taxes-other	75,000		75,000		(75,000)
Returned check charges	14,010		14,010	7,445	(6,565)
Unemployment fees	4,000		4,000	4,258	258
School reimbursement	1,495,400		1,495,400	1,518,632	23,232
Indirect cost	935,745		935,745	935,745	
Other	1,403,607		1,403,607	1,516,075	112,468
Total miscellaneous revenue	<u>3,927,762</u>		<u>3,927,762</u>	<u>3,982,155</u>	<u>54,393</u>
Recovered costs:					
Jail operations	698,359		698,359	720,257	21,898
Probation	8,500		8,500	7,750	(750)
NASA fire services	906,000		906,000	906,000	
Miscellaneous	150,000		150,000	294,522	144,522
Total recovered costs	<u>1,762,859</u>		<u>1,762,859</u>	<u>1,928,529</u>	<u>165,670</u>
Noncategorical aid - state:					
Personal property tax relief reimbursement		15,453,929	15,453,929	15,453,929	
Vehicle rental tax	373,448		373,448	386,625	13,177
Railroad rolling stock tax	10,516		10,516	15,310	4,794
Mobile home titling tax	20,046		20,046	21,119	1,073
Taxes on deeds	394,000		394,000	431,391	37,391
State Board of Elections				200	200
Total noncategorical aid - state	<u>798,010</u>	<u>15,453,929</u>	<u>16,251,939</u>	<u>16,308,574</u>	<u>56,635</u>
Shared expenses - state:					
Sheriff	6,513,233		6,513,233	6,304,186	(209,047)
Commonwealth Attorney	1,364,590		1,364,590	1,349,260	(15,330)
Commissioner of Revenue	293,800		293,800	293,842	42
Treasurer	271,448		271,448	271,135	(313)
Clerk of Courts	780,133		780,133	796,696	16,563
Registrar-election board	50,341		50,341	105,916	55,575
Total shared expenses - state	<u>\$ 9,273,545</u>	<u>\$</u>	<u>\$ 9,273,545</u>	<u>\$ 9,121,035</u>	<u>\$ (152,510)</u>

continued

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

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	Budget July 1, 2015	Net Changes	Final June 30, 2016	Actual	Variance Over (Under)
Categorical aid - state:					
Public assistance	\$ 5,337,328		\$ 5,337,328	\$ 4,788,610	\$ (548,718)
Police	6,523,451		6,523,451	6,523,452	1
Street and highway maintenance	15,138,430	764,425	15,902,855	15,902,855	
E911 wireless grant	409,000		409,000	434,905	25,905
Public library books	162,055		162,055	162,419	364
Virginia juvenile block grant	279,725		279,725	316,533	36,808
State funds	120,000		120,000		(120,000)
Total categorical aid - state	<u>27,969,989</u>	<u>764,425</u>	<u>28,734,414</u>	<u>28,128,774</u>	<u>(605,640)</u>
Categorical aid - federal:					
Pass thru-public assistance	8,618,861		8,618,861	8,727,375	108,514
Pass thru-Healthy Families	400,000		400,000	541,685	141,685
Pass thru-Federal Rad. Emergency Response	20,500		20,500	9,529	(10,971)
Federal funds				610	610
Total categorical aid - federal	<u>9,039,361</u>		<u>9,039,361</u>	<u>9,279,199</u>	<u>239,838</u>
Noncategorical aid - federal					
Indirect costs-total	<u>228,000</u>		<u>228,000</u>	<u>223,000</u>	<u>(5,000)</u>
Total revenues	<u>320,423,991</u>	<u>764,425</u>	<u>321,188,416</u>	<u>324,631,301</u>	<u>3,442,885</u>
Other credits:					
Component unit-EDA Fund				119	119
Transfer from Solid Waste Fund	116,000		116,000	116,000	
Transfer from Grants Fund				1,035	1,035
Transfer from Wastewater Fund	113,292		113,292	113,292	
Component Unit-Schools	2,000,000		2,000,000	2,000,000	
Total transfers	<u>2,229,292</u>		<u>2,229,292</u>	<u>2,230,446</u>	<u>1,154</u>
Total revenues and transfers	<u>322,653,283</u>	<u>764,425</u>	<u>323,417,708</u>	<u>326,861,747</u>	<u>3,444,039</u>
Appropriations from fund balance	3,673,986	10,880,413	14,554,399	14,554,399	
Appropriations-encumbrances				1,708,448	1,708,448
Total appropriations	<u>3,673,986</u>	<u>10,880,413</u>	<u>14,554,399</u>	<u>16,262,847</u>	<u>1,708,448</u>
Total revenues and other credits	<u>\$ 326,327,269</u>	<u>\$ 11,644,838</u>	<u>\$ 337,972,107</u>	<u>\$ 343,124,594</u>	<u>\$ 5,152,487</u>

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

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2016**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget	Net Changes	Final	Personal	Operating	Capital Outlay		Total
	July 1, 2015		June 30, 2016	Services	Expenditures			
General Government								
Legislative:								
Municipal Council	\$ 473,859	\$ 58,523	\$ 532,382	\$ 371,648	\$ 139,753	\$ 12,100	\$ 523,501	\$ 8,881
Legislative - Total	473,859	58,523	532,382	371,648	139,753	12,100	523,501	8,881
Executive:								
City Manager	1,219,299	72,637	1,291,936	1,145,287	75,282	2,108	1,222,677	69,259
311 Customer Call Center	466,503	56,007	522,510	448,635	68,692	4,283	521,610	900
Citizens Unity Commission	150,477	(28,790)	121,687	69,789	33,292	2,190	105,271	16,416
Marketing, INC	745,087	(61,708)	683,379	376,050	269,900	10,931	656,881	26,498
Internal Audit	167,736	11,150	178,886	159,086	15,771	950	175,807	3,079
Executive - Total	2,749,102	49,296	2,798,398	2,198,847	462,937	20,462	2,682,246	116,152
City Attorney:								
Law-City Attorney	1,059,350	(16,421)	1,042,929	948,879	77,238	1,399	1,027,516	15,413
City Attorney - Total	1,059,350	(16,421)	1,042,929	948,879	77,238	1,399	1,027,516	15,413
Human Resources -Total	645,819	139,383	785,202	590,406	99,779	-	690,185	95,017
Judicial:								
Clerk of Courts	939,818	101,413	1,041,231	822,667	92,527	-	915,194	126,037
Circuit Court	362,963	(3,242)	359,721	287,289	38,647	-	325,936	33,785
General District Court	217,405	(1,767)	215,638	36,406	99,233	-	135,639	79,999
District Court-J.D.R.	49,101	(957)	48,144	-	38,379	2,743	41,122	7,022
Commonwealth Attorney	1,665,748	22,916	1,688,664	1,576,301	93,665	-	1,669,966	18,698
City Sheriff-Administration	1,827,553	(350,438)	1,477,115	1,198,140	228,836	-	1,426,976	50,139
City Sheriff-Jail	7,105,596	1,101,134	8,206,730	5,899,164	2,142,584	164,981	8,206,729	1
Court Service Unit	1,678,099	340,376	2,018,475	200,583	1,547,110	8,082	1,755,775	262,700
Magistrates Office	40,916	(3,032)	37,884	9,550	12,170	-	21,720	16,164
Judicial - Total	13,887,199	1,206,403	15,093,602	10,030,100	4,293,151	175,806	14,499,057	594,545

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

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2016**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Operating			
	July 1, 2015	Net Changes	June 30, 2016	Services	Expenditures	Capital Outlay		Total
General Government, concluded:								
Boards and commissions:								
Community Development	\$ 3,090,524	\$ 151,123	\$ 3,241,647	\$ 2,553,030	\$ 383,150	\$ 90,304	\$ 3,026,484	\$ 215,163
Elections Board	158,607	53,939	212,546	107,261	102,461	-	209,722	2,824
Registrar	215,187	(25,494)	189,693	170,751	10,349	-	181,100	8,593
Development	970,726	331,031	1,301,757	810,879	230,572	3,959	1,045,410	256,347
Boards and Commissions - Total	<u>4,435,044</u>	<u>510,599</u>	<u>4,945,643</u>	<u>3,641,921</u>	<u>726,532</u>	<u>94,263</u>	<u>4,462,716</u>	<u>482,927</u>
Agriculture - Extension Agent - Total	65,654	-	65,654	30,943	23,939	-	54,882	10,772
Nondepartmental:								
Nondepartmental	24,799,955	2,101,007	26,900,962	597,156	25,149,367	-	25,746,523	1,154,439
Civic and community support	951,176	-	951,176	-	941,176	-	941,176	10,000
Other	2,665,682	(746,721)	1,918,961	-	1,443,030	-	1,443,030	475,931
Nondepartmental - Total	<u>28,416,813</u>	<u>1,354,286</u>	<u>29,771,099</u>	<u>597,156</u>	<u>27,533,573</u>	<u>-</u>	<u>28,130,729</u>	<u>1,640,370</u>
Finance:								
Commissioner of Revenue	1,244,769	(845)	1,243,924	1,036,963	179,874	21,451	1,238,288	5,636
Assessor of Real Estate	1,106,715	33,846	1,140,561	998,750	120,296	4,757	1,123,803	16,758
City Treasurer	1,736,979	(2,442)	1,734,537	1,271,562	420,094	27,588	1,719,244	15,293
Consolidated Procurement	385,408	22,936	408,344	364,106	43,552	-	407,658	686
Independent Auditors	200,475	9,122	209,597	-	194,313	-	194,313	15,284
Finance	804,011	306,707	1,110,718	724,591	74,178	45,177	843,946	266,772
Information Technology	3,024,145	233,199	3,257,344	1,084,691	1,863,500	255,036	3,203,227	54,117
Finance - Total	<u>8,502,502</u>	<u>602,523</u>	<u>9,105,025</u>	<u>5,480,663</u>	<u>2,895,807</u>	<u>354,009</u>	<u>8,730,479</u>	<u>374,546</u>
Retirement and Employee Benefits Total	41,815,721	(1,891,845)	39,923,876	2,432,552	35,798,191	-	38,230,743	1,693,133
Public Works:								
Administration	\$ 209,949	\$ 10,814	\$ 220,763	\$ 180,484	\$ 23,914	\$ -	\$ 204,398	\$ 16,365
Engineering	583,913	21,861	605,774	543,249	58,360	-	601,609	4,165
Property Maintenance	4,321,136	137,230	4,458,366	1,198,399	3,240,605	8,443	4,447,447	10,919
Parking Facilities	721,446	7,405	728,851	31,152	694,852	-	726,004	2,847
Public Works - Total	<u>5,836,444</u>	<u>177,310</u>	<u>6,013,754</u>	<u>1,953,284</u>	<u>4,017,731</u>	<u>8,443</u>	<u>5,979,458</u>	<u>34,296</u>

Continued

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

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2016**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget July 1, 2015	Net Changes	Final June 30, 2016	Personal Services	Operating Expenditures	Capital Outlay		Total
General Government - Total	<u>107,887,507</u>	<u>2,190,057</u>	<u>110,077,564</u>	<u>28,276,399</u>	<u>76,068,631</u>	<u>666,482</u>	<u>105,011,512</u>	<u>5,066,052</u>
Public Safety:								
Police Division	22,412,393	770,778	23,183,171	18,823,468	3,768,144	200,335	22,791,947	391,224
Traffic Engineering	2,884,627	(17,802)	2,866,825	519,110	2,342,522	1,612	2,863,244	3,581
Fire Division	19,346,332	1,667,598	21,013,930	16,837,602	3,997,733	116,821	20,952,156	61,774
Emergency Management	292,036	20,753	312,789	238,002	38,164	8,429	284,595	28,194
E911	2,565,512	56,714	2,622,226	2,109,983	485,012	8,481	2,603,476	18,750
Animal Control	455,813	(1,820)	453,993	286,098	138,791	-	424,889	29,104
Youth Violence Prevention	331,002	81,290	412,292	267,474	77,396	-	344,870	67,422
Public Safety - Total	<u>\$ 48,287,715</u>	<u>\$ 2,577,511</u>	<u>\$ 50,865,226</u>	<u>\$ 39,081,737</u>	<u>\$ 10,847,762</u>	<u>\$ 335,678</u>	<u>\$ 50,265,177</u>	<u>\$ 600,049</u>
Highways and Streets-Total	<u>2,284,951</u>	<u>(108,740)</u>	<u>2,176,211</u>	<u>892,099</u>	<u>924,366</u>	<u>209,831</u>	<u>2,026,296</u>	<u>149,915</u>

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

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2016**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Other			
	July 1, 2015	Net Changes	June 30, 2016	Services	Expenditures	Capital Outlay		
Health:								
Preventive Medicine	\$ 1,408,286	\$ 17,634	\$ 1,425,920	\$ -	\$ 1,259,122	\$ -	\$ 1,259,122	\$ 166,798
Drainage Maintenance	1,326,847	(64,427)	1,262,420	671,476	554,257	-	1,225,733	36,687
Health - Total	2,735,133	(46,793)	2,688,340	671,476	1,813,379	-	2,484,855	203,485
Human Services:								
Administration	1,405,705	11,204,089	12,609,794	7,261,475	4,465,804	151,493	11,878,772	731,022
Public Assistance	7,970,620	(7,315,049)	655,571	-	537,864	-	537,864	117,707
Purchase of Services	8,039,112	(3,759,005)	4,280,107	-	3,812,578	-	3,812,578	467,529
Youth, Education and Family Services	3,579,230	214	3,579,444	2,589,686	886,534	32,141	3,508,361	71,083
Human Services - Total	20,994,667	130,249	21,124,916	9,851,161	9,702,780	183,634	19,737,575	1,387,341
Culture and Recreation:								
Recreation	4,220,222	192,126	4,412,348	2,972,399	1,395,656	40,834	4,408,889	3,459
Parks	5,922,426	170,097	6,092,523	2,034,642	4,007,142	34,771	6,076,555	15,968
Conventions and Tourism	2,263,895	(67,300)	2,196,595	673,043	1,488,851	-	2,161,894	34,701
Hampton History Museum	349,318	(38,110)	311,208	237,350	69,345	-	306,695	4,513
Culture and Recreation - Total	12,755,861	256,813	13,012,674	5,917,434	6,960,994	75,605	12,954,033	58,641

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

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2016**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Other			
	July 1, 2015	Net Changes	June 30, 2016	Services	Expenditures	Capital Outlay		
					Total			
Education:								
School Operations	71,112,223	-	71,112,223	-	71,112,223	-	71,112,223	-
Public Library	2,129,195	-	2,129,195	1,359,122	709,652	2,351	2,071,125	58,070
Education - Total	73,241,418	-	73,241,418	1,359,122	71,821,875	2,351	73,183,348	58,070
Total expenditures	268,187,252	4,999,097	273,186,349	86,049,428	178,139,787	1,473,581	265,662,796	7,523,553
Operating Transfers Out:								
Capital Projects Funds	14,839,019	6,113,479	20,952,498	-	15,959,882	-	15,959,882	4,992,616
Enterprise Funds	7,803,042	416,930	8,219,972	-	8,196,755	-	8,196,755	23,217
Special Revenue Funds	2,134,984	83,783	2,218,767	-	1,947,555	-	1,947,555	271,212
Debt Service Funds	33,362,972	-	33,362,972	-	33,237,203	-	33,237,203	125,769
Transfers - Total	58,140,017	6,614,192	64,754,209	-	59,341,395	-	59,341,395	5,412,814
Total expenditures and transfers	\$ 326,327,269	\$ 11,613,289	\$ 337,940,558	\$ 86,049,428	\$ 237,481,182	\$ 1,473,581	\$ 325,004,191	\$ 12,936,367

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

CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2016

	Federal Grants	Community Development	Stormwater Management	Pembroke Complex	Law Library	Total Non-major Governmental Funds
Assets:						
Cash and cash equivalents	\$	\$ 372,332	\$ 11,205,584	\$ 12,016	\$ 62,568	\$ 11,652,500
Accounts receivables:						
Due from other governments	4,538,396					4,538,396
Other	169,272	131,621	532,353		21	833,267
Due from other funds	1,510,462			2,350		1,512,812
Total assets	\$ 6,218,130	\$ 503,953	\$ 11,737,937	\$ 14,366	\$ 62,589	\$ 18,536,975
Liabilities:						
Accounts payable	\$ 1,270,674	\$ 267,448	\$ 23,057	\$ 12,947	\$ 3,886	\$ 1,578,012
Accrued liabilities	51,030	6,789	41,416	1,416		100,651
Due to other funds	3,185,889		276			3,186,165
Total liabilities	4,507,593	274,237	64,749	14,363	3,886	4,864,828
Deferred inflows of resources:						
Unavailable revenue-program income		229,716				229,716
Unavailable revenue-stormwater fees			532,353			532,353
Total deferred inflows of resources		229,716	532,353			762,069
Fund balances:						
Restricted	1,668,842		11,140,835	3	58,703	12,868,383
Assigned	41,695					41,695
Total fund balances	1,710,537		11,140,835	3	58,703	12,910,078
Total liabilities, deferred inflows of resources and fund balances	\$ 6,218,130	\$ 503,953	\$ 11,737,937	\$ 14,366	\$ 62,589	\$ 18,536,975

CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2016

	<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	\$ 10,321,855	\$	\$	\$	\$	10,321,855
From the Federal government	3,166,489	997,598				4,164,087
Revenues from use of money and property				395,103	193	395,296
Charges for services			8,764,437			8,764,437
Miscellaneous	1,126,333	713,886			39,285	1,879,504
Total revenues	<u>14,614,677</u>	<u>1,711,484</u>	<u>8,764,437</u>	<u>395,103</u>	<u>39,478</u>	<u>25,525,179</u>
EXPENDITURES						
Current:						
General government	2,916,719	1,711,484	1	395,416	64,109	5,087,729
Public safety	5,505,339					5,505,339
Sanitation			5,004,393			5,004,393
Human services	9,255,654					9,255,654
Culture and recreation	195,757					195,757
Total expenditures	<u>17,873,469</u>	<u>1,711,484</u>	<u>5,004,394</u>	<u>395,416</u>	<u>64,109</u>	<u>25,048,872</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,258,792)</u>		<u>3,760,043</u>	<u>(313)</u>	<u>(24,631)</u>	<u>476,307</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	3,186,017					3,186,017
Transfers out	(1,035)		(2,556,739)			(2,557,774)
Net other financing sources (uses)	<u>3,184,982</u>		<u>(2,556,739)</u>			<u>628,243</u>
Net change in fund balances	(73,810)		1,203,304	(313)	(24,631)	1,104,550
Fund balances, beginning of year	<u>1,784,347</u>		<u>9,937,531</u>	<u>316</u>	<u>83,334</u>	<u>11,805,528</u>
Fund balances, end of year	<u>\$ 1,710,537</u>	<u>\$</u>	<u>\$ 11,140,835</u>	<u>\$ 3</u>	<u>\$ 58,703</u>	<u>\$ 12,910,078</u>

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2016

	Business-Type Activities - Non-Major Enterprise Funds				
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 5,240,115	\$ 800	\$ 2,868,726	\$ 3,698,037	\$ 11,807,678
Accounts receivable, net	214,665	9,155	3,124,534	242,727	3,591,081
Due from component units			99,717		99,717
Inventories	71,628	24,702			96,330
Total current assets	<u>5,526,408</u>	<u>34,657</u>	<u>6,092,977</u>	<u>3,940,764</u>	<u>15,594,806</u>
Noncurrent assets:					
Capital assets:					
Land	164,079	2,295,538	945,188		3,404,805
Buildings and improvements	12,553,986	995,046		35,869	13,584,901
Improvements other than buildings	7,620,799	755,532	2,971	18,956,904	27,336,206
Computer software	22,500			225,843	248,343
Equipment	882,947	672,623	11,110,319	4,655,353	17,321,242
Landfill			3,865,986		3,865,986
Less accumulated depreciation	<u>(15,222,803)</u>	<u>(1,901,671)</u>	<u>(11,433,393)</u>	<u>(17,291,340)</u>	<u>(45,849,207)</u>
Net capital assets	<u>6,021,508</u>	<u>2,817,068</u>	<u>4,491,071</u>	<u>6,582,629</u>	<u>19,912,276</u>
Total noncurrent assets	<u>6,021,508</u>	<u>2,817,068</u>	<u>4,491,071</u>	<u>6,582,629</u>	<u>19,912,276</u>
Total assets	<u>\$ 11,547,916</u>	<u>\$ 2,851,725</u>	<u>\$ 10,584,048</u>	<u>\$ 10,523,393</u>	<u>\$ 35,507,082</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	288,667	41,409	406,095	533,335	1,269,506
Total deferred outflows of resources	<u>288,667</u>	<u>41,409</u>	<u>406,095</u>	<u>533,335</u>	<u>1,269,506</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 288,469	\$ 5,156	\$ 299,231	\$ 37,592	\$ 630,448
Accrued interest payable				39,923	39,923
Accrued leave	38,579	8,215	101,796	62,985	211,575
Due to other funds		1,954,845	3,973	8	1,958,826
Unearned revenues	222,217				222,217
Current portion of long-term debt				391,848	391,848
Other liabilities	178,125	14,939	36,944	28,688	258,696
Total current liabilities	<u>727,390</u>	<u>1,983,155</u>	<u>441,944</u>	<u>561,044</u>	<u>3,713,533</u>
Noncurrent liabilities:					
Accrued leave	119,585	29,089	130,023	97,510	376,207
Net pension liability	1,957,716	329,888	2,987,153	3,281,931	8,556,688
Bonds payable				2,844,745	2,844,745
Total noncurrent liabilities	<u>2,077,301</u>	<u>358,977</u>	<u>3,117,176</u>	<u>6,224,186</u>	<u>11,777,640</u>
Total liabilities	<u>2,804,691</u>	<u>2,342,132</u>	<u>3,559,120</u>	<u>6,785,230</u>	<u>15,491,173</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	166,362	35,503	289,329	227,866	719,060
Total deferred inflows of resources	<u>166,362</u>	<u>35,503</u>	<u>289,329</u>	<u>227,866</u>	<u>719,060</u>
NET POSITION					
Net investment in capital assets	6,021,508	2,817,068	4,491,070	3,346,036	16,675,682
Unrestricted	2,844,022	(2,301,569)	2,650,624	697,596	3,890,673
Total net position	<u>\$ 8,865,530</u>	<u>\$ 515,499</u>	<u>\$ 7,141,694</u>	<u>\$ 4,043,632</u>	<u>\$ 20,566,355</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, 2016

	Business-Type Activities - Non-Major Enterprise Funds				
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
Operating revenues:					
Charges for services	\$ 9,660,008	\$ 645,290	\$ 13,636,354	\$ 7,713,641	\$ 31,655,293
Other	2,945				2,945
Total operating revenues	<u>9,662,953</u>	<u>645,290</u>	<u>13,636,354</u>	<u>7,713,641</u>	<u>31,658,238</u>
Operating expenses:					
Personal services	1,335,559	329,219	2,230,899	1,851,666	5,747,343
Fringe benefits	299,317	(73,617)	747,320	723,698	1,696,718
Promoters fees	4,424,006				4,424,006
City-sponsored events	796,332				796,332
Cost of goods sold	273,094	35,065			308,159
Utilities	251,494	46,010	1,168	438,600	737,272
Insurance	200,981	18,268	80,103	246,278	545,630
Operating supplies	175,321	64,400	166,755	424,270	830,746
Equipmental rental	17,391	54,806		35,218	107,415
Equipment and building repairs	233,660	31,900	2,072,750	1,124,346	3,462,656
Telephone and postage	64,619	7,835	9,327	16,122	97,903
General expense	943,243	4,384	476,185	37,250	1,461,062
Landfill costs			3,117,516	677,068	3,794,584
Contractual services	724,944	38,050	379,273	123,811	1,266,078
Indirect cost			356,470	218,000	574,470
Depreciation and amortization	568,435	83,248	1,223,087	822,988	2,697,758
Total operating expenses	<u>10,308,396</u>	<u>639,568</u>	<u>10,860,853</u>	<u>6,739,315</u>	<u>28,548,132</u>
Operating income (loss)	<u>(645,443)</u>	<u>5,722</u>	<u>2,775,501</u>	<u>974,326</u>	<u>3,110,106</u>
Nonoperating revenues (expenses):					
Interest income				10,263	10,263
Interest and fiscal charges				(173,082)	(173,082)
Gain(loss) on disposal of capital assets	(108)		(41,186)	4,285	(37,009)
Total nonoperating revenues (expenses), net	<u>(108)</u>		<u>(41,186)</u>	<u>(158,534)</u>	<u>(199,828)</u>
Income (loss) before transfers and capital contributions	(645,551)	5,722	2,734,315	815,792	2,910,278
Capital contributions		126,192			126,192
Transfers in(out)	926,102		(171,000)		755,102
Change in net position	280,551	131,914	2,563,315	815,792	3,791,572
Net position, beginning of year	<u>8,584,979</u>	<u>383,585</u>	<u>4,578,379</u>	<u>3,227,840</u>	<u>16,774,783</u>
Net position, end of year	<u>\$ 8,865,530</u>	<u>\$ 515,499</u>	<u>\$ 7,141,694</u>	<u>\$ 4,043,632</u>	<u>\$ 20,566,355</u>

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2016

	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 9,792,853	\$ 645,839	\$ 12,009,543	\$ 7,489,247	\$ 29,937,482
Cash payments to suppliers for goods and services	(9,057,961)	(319,923)	(7,415,666)	(4,792,067)	(21,585,617)
Cash payments to employees for services	(1,327,937)	(325,916)	(2,173,804)	(1,833,071)	(5,660,728)
Net cash provided by (used in) operating activities	(593,045)	-	2,420,073	864,109	2,691,137
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash received from other funds	926,102				926,102
Cash paid from other funds			(171,000)		(171,000)
Net cash provided by (used in) noncapital financing activities	926,102		(171,000)		755,102
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(479,449)		(25,065)	(86,409)	(590,923)
Sale of capital assets	1,344		7,891	4,285	13,520
Principal paid on revenue bond maturities and long-term debt				(373,837)	(373,837)
Interest paid on revenue bonds and long-term debt				(177,545)	(177,545)
Net cash provided by (used in) capital and related financing activities	(478,105)		(17,174)	(633,506)	(1,128,785)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments				10,263	10,263
Net cash provided by (used in) investing activities				10,263	10,263
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(145,048)		2,231,899	240,866	2,327,717
Cash and cash equivalents, July 1	5,385,163	800	636,827	3,457,171	9,479,961
Cash and cash equivalents, June 30	\$ 5,240,115	\$ 800	\$ 2,868,726	\$ 3,698,037	\$ 11,807,678
Operating income (loss)	\$ (645,443)	\$ 5,722	\$ 2,775,501	\$ 974,326	\$ 3,110,106
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	568,435	83,248	1,223,087	822,988	2,697,758
Decrease (increase) in:					
Accounts receivable	48,650	550	(1,389,148)	(224,394)	(1,564,342)
Due from component units			(79,898)		(79,898)
Inventories	6,841	(7,970)			(1,129)
Increase (decrease) in:					
Accounts payable	(59,834)	(4,839)	69,919	(546,823)	(541,577)
Accrued leave	11,378	(2,986)	(12,449)	14,974	10,917
Due to other funds		103,766	3,973	8	107,747
Other liabilities	(348,476)	2,767	20,333	12,407	(312,969)
Unearned revenue	81,248				81,248
Net pension liability reported as operating activity	(65,610)	(173,269)	26,270	166,593	(46,016)
Deferred Outflows & Inflows related to pensions reported as operating activity	(186,480)	(13,278)	(266,726)	(347,183)	(813,667)
Long-term accrued leave reported as operating activity	(3,754)	6,289	49,211	(8,787)	42,959
Total adjustments	52,398	(5,722)	(355,428)	(110,217)	(418,969)
Net cash provided by (used in) operating activities	\$ (593,045)	\$ -	\$ 2,420,073	\$ 864,109	\$ 2,691,137
Non-cash transactions affecting investing, capital and related financing activities:					
Acquisition of capital assets through outside capital contributions		126,192			126,192
Total non-cash transactions	\$ -	\$ 126,192	\$ -	\$ -	\$ 126,192

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CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2016

	<u>Equipment Replacement</u>	<u>Fleet Services</u>	<u>Risk Management</u>	<u>Information Technology</u>	<u>Totals</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,864,235	\$ 957,606	\$ 18,385,596	\$ 670,047	\$ 21,877,484
Cash with fiscal agent			180,145		180,145
Accounts receivable, net	630	8,580	6,265	15,818	31,293
Due from other funds		69,357	247,257	1,313	317,927
Due from component units		173,682			173,682
Prepaid items			87,764	127,905	215,669
Inventories		88,150			88,150
Total current assets	<u>1,864,865</u>	<u>1,297,375</u>	<u>18,907,027</u>	<u>815,083</u>	<u>22,884,350</u>
Noncurrent assets:					
Capital assets:					
Improvements other than buildings		422,506			422,506
Computer software	14,400	171,225		30,150	215,775
Equipment	39,941,881	770,541	34,072	1,711,846	42,458,340
Less accumulated depreciation	<u>(20,442,715)</u>	<u>(862,610)</u>	<u>(33,889)</u>	<u>(962,798)</u>	<u>(22,302,012)</u>
Total noncurrent assets (net capital assets)	<u>19,513,566</u>	<u>501,662</u>	<u>183</u>	<u>779,198</u>	<u>20,794,609</u>
Total assets	<u>\$ 21,378,431</u>	<u>\$ 1,799,037</u>	<u>\$ 18,907,210</u>	<u>\$ 1,594,281</u>	<u>\$ 43,678,959</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions		213,248	48,860	40,467	302,575
Total deferred outflows of resources		<u>213,248</u>	<u>48,860</u>	<u>40,467</u>	<u>302,575</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 552,202	\$ 815,401	\$ 324,935	\$ 248,277	\$ 1,940,815
Accrued leave		49,003	10,066	4,068	63,137
Due to other funds	65,098	96,000	629,406		790,504
Current portion of long-term debt	874,060		3,559,162		4,433,222
Other liabilities		22,684	5,226	3,933	31,843
Total current liabilities	<u>1,491,360</u>	<u>983,088</u>	<u>4,528,795</u>	<u>256,278</u>	<u>7,259,521</u>
Noncurrent liabilities:					
Claims payable			1,246,974		1,246,974
Accrued leave		79,969	20,647	15,442	116,058
Obligations under capital leases	1,845,247				1,845,247
Net pension liability		1,698,855	389,247	322,383	2,410,485
Total noncurrent liabilities	<u>1,845,247</u>	<u>1,778,824</u>	<u>1,656,868</u>	<u>337,825</u>	<u>5,618,764</u>
Total liabilities	<u>3,336,607</u>	<u>2,761,912</u>	<u>6,185,663</u>	<u>594,103</u>	<u>12,878,285</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	-	182,833	41,892	34,695	259,420
Total deferred inflows of resources	<u>-</u>	<u>182,833</u>	<u>41,892</u>	<u>34,695</u>	<u>259,420</u>
NET POSITION					
Net investment in capital assets	16,794,258	501,661	183	779,199	18,075,301
Unrestricted	<u>1,247,566</u>	<u>(1,434,121)</u>	<u>12,728,332</u>	<u>226,751</u>	<u>12,768,528</u>
Total net position(deficit)	<u>\$ 18,041,824</u>	<u>\$ (932,460)</u>	<u>\$ 12,728,515</u>	<u>\$ 1,005,950</u>	<u>\$ 30,843,829</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, 2016

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Operating revenues:					
Charges for services	\$ 1,983,409	\$ 7,867,662	\$ 8,381,538	\$ 2,450,908	\$ 20,683,517
Other		4,926			4,926
Total operating revenues	<u>1,983,409</u>	<u>7,872,588</u>	<u>8,381,538</u>	<u>2,450,908</u>	<u>20,688,443</u>
Operating expenses:					
Personal services		1,345,703	311,027	229,204	1,885,934
Fringe benefits		440,856	78,244	131,814	650,914
Cost of goods sold		5,339,765			5,339,765
Utilities		44,385			44,385
Insurance		55,415	2,408,646	3,198	2,467,259
Operating supplies	12,268	236,802	1,660	90,547	341,277
Equipment rental	64,378	2,850	25,975		93,203
Equipment and building repairs		291,221	2,655	361,547	655,423
Telephone and postage		20,958	9,520	961,046	991,524
General expense		63,685	101,911	32,260	197,856
Claims			1,429,674		1,429,674
Contractual services		255,512	692,428	359,635	1,307,575
Depreciation and amortization	2,220,839	53,972	1,564	109,909	2,386,284
Total operating expenses	<u>2,297,485</u>	<u>8,151,124</u>	<u>5,063,304</u>	<u>2,279,160</u>	<u>17,791,073</u>
Operating income (loss)	<u>(314,076)</u>	<u>(278,536)</u>	<u>3,318,234</u>	<u>171,748</u>	<u>2,897,370</u>
Nonoperating revenues (expenses):					
Interest income	6,075		56,365	1,512	63,952
Interest and fiscal charges	(78,665)	(321)			(78,986)
Other	6,233	80,623			86,856
Gain(loss) on disposal of capital assets	209,333				209,333
Total nonoperating revenues (expenses), net	<u>142,976</u>	<u>80,302</u>	<u>56,365</u>	<u>1,512</u>	<u>281,155</u>
Income (loss) before transfers and capital contributions	(171,100)	(198,234)	3,374,599	173,260	3,178,525
Capital contributions	2,269				2,269
Transfers in(out)	(65,098)	65,098			
Change in net position	(233,929)	(133,136)	3,374,599	173,260	3,180,794
Net position(deficit), beginning of year, as restated	<u>18,275,753</u>	<u>(799,324)</u>	<u>9,353,916</u>	<u>832,690</u>	<u>27,663,035</u>
Net position(deficit), end of year	<u>\$ 18,041,824</u>	<u>\$ (932,460)</u>	<u>\$ 12,728,515</u>	<u>\$ 1,005,950</u>	<u>\$ 30,843,829</u>

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,989,644	\$ 7,960,178	\$ 8,134,281	\$ 2,456,932	\$ 20,541,035
Cash payments to suppliers for goods and services	(76,646)	(6,076,818)	(10,153,265)	(1,783,048)	(18,089,777)
Cash payments to employees for services		(1,763,521)	(306,817)	(220,985)	(2,291,323)
Net cash provided by (used in) operating activities	<u>1,912,998</u>	<u>119,839</u>	<u>(2,325,801)</u>	<u>452,899</u>	<u>159,935</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash received from other funds		65,098			65,098
Net cash provided by (used in) noncapital financing activities		<u>65,098</u>			<u>65,098</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(3,586,927)	(164,530)		(226,966)	(3,978,423)
Principal paid on revenue bond maturities and long-term debt	(853,468)	(31,045)			(884,513)
Interest paid on revenue bonds and long-term debt	(78,665)	(321)			(78,986)
Sale of capital assets	227,394				227,394
Net cash provided by (used in) capital and related financing activities	<u>(4,291,666)</u>	<u>(195,896)</u>		<u>(226,966)</u>	<u>(4,714,528)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	6,105		53,328	1,513	60,946
Net cash provided by (used in) investing activities	<u>6,105</u>		<u>53,328</u>	<u>1,513</u>	<u>60,946</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(2,372,563)	(10,959)	(2,272,473)	227,446	(4,428,549)
Cash and cash equivalents, July 1	4,236,798	968,565	20,838,214	442,601	26,486,178
Cash and cash equivalents, June 30	<u>\$ 1,864,235</u>	<u>\$ 957,606</u>	<u>\$ 18,565,741</u>	<u>\$ 670,047</u>	<u>\$ 22,057,629</u>

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Operating income (loss)	\$ (314,076)	\$ (278,536)	\$ 3,318,234	\$ 171,748	\$ 2,897,370
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	2,220,839	53,972	1,564	109,909	2,386,284
Decrease (increase) in:					
Accounts receivable	30	1,418	(3,037)	7,337	5,748
Due from other funds		(3,927)	(247,257)	(1,313)	(252,497)
Due from component units		9,477			9,477
Inventories		41,887			41,887
Prepaid expenses			(31,810)	(28,093)	(59,903)
Increase (decrease) in:					
Accounts payable	389,309	122,533	169,541	131,349	812,732
Accrued leave		6,427	(261)	(4,397)	1,769
Due to other funds	65,098	96,000	338,077		499,175
Other liabilities		10,739	2,731	2,435	15,905
Nonoperating revenues reported as operating activity	6,235	80,623			86,858
Current portion of long-term accrued claims reported as operating activity			(5,332,360)		(5,332,360)
Accounts payable reported as nonoperating activities	(389,309)				(389,309)
Accounts receivable reported as nonoperating activities	(30)		3,037		3,007
Due to other funds reported as nonoperating activities	(65,098)				(65,098)
Long-term accrued leave reported as operating activity		5,871	1,739	10,180	17,790
Long-term accrued insurance claims reported as operating activity			(529,704)		(529,704)
Net pension liability reported as operating activity		119,384	17,858	77,445	214,687
Deferred Outflows & Inflows related to pensions reported as operating activity		(146,029)	(34,153)	(23,701)	(203,883)
Total adjustments	<u>2,227,074</u>	<u>398,375</u>	<u>(5,644,035)</u>	<u>281,151</u>	<u>(2,737,435)</u>
Net cash provided by (used in) operating activities	\$ <u>1,912,998</u>	\$ <u>119,839</u>	\$ <u>(2,325,801)</u>	\$ <u>452,899</u>	\$ <u>159,935</u>
Acquisition of capital assets through other funds' capital contributions	\$ 2,269	\$	\$	\$	\$ 2,269
Total non-cash transactions	<u>\$ 2,269</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,269</u>

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CITY OF HAMPTON, VIRGINIA
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2016

	Balance, July 1, 2015	Additions	Deductions	Balance, June 30, 2016
<u>Special Welfare Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 23,317	\$ 47,439	\$ 48,854	\$ 21,902
LIABILITIES				
Deposits	\$ 16,301	\$ 24,888	\$ 27,137	\$ 14,052
Accounts payable	7,016	22,320	21,486	7,850
	<u>\$ 23,317</u>	<u>\$ 47,208</u>	<u>\$ 48,623</u>	<u>\$ 21,902</u>
<u>Agency Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 666,134	\$ 571,040	\$ 588,614	\$ 648,560
Accounts	9,189	137,795	145,409	1,575
	<u>\$ 675,323</u>	<u>\$ 708,835</u>	<u>\$ 734,023</u>	<u>\$ 650,135</u>
LIABILITIES				
Deposits	\$ 628,693	\$ 702,671	\$ 694,670	\$ 636,694
Accounts payable	46,630	571,221	604,410	13,441
	<u>\$ 675,323</u>	<u>\$ 1,273,892</u>	<u>\$ 1,299,080</u>	<u>\$ 650,135</u>
<u>Total - All Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 689,450	\$ 618,479	\$ 637,468	\$ 670,461
Accounts receivable	9,189	137,795	145,409	1,575
	<u>\$ 698,639</u>	<u>\$ 756,274</u>	<u>\$ 782,877</u>	<u>\$ 672,036</u>
LIABILITIES				
Deposits	\$ 644,993	\$ 727,559	\$ 721,807	\$ 650,745
Accounts payable and accrued liabilities	53,646	593,541	625,896	21,291
	<u>\$ 698,639</u>	<u>\$ 1,321,100</u>	<u>\$ 1,347,703</u>	<u>\$ 672,036</u>

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CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2016

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 4,023,168	\$ 3,213,614	\$ 1,571,806	\$ 8,808,588
Cash with fiscal agent	6,755,151			6,755,151
Investments	20,128			20,128
Accounts receivable, net	179,736	38,301	173,650	391,687
Due from other funds	1,256,892			1,256,892
Due from other governments	6,062,826	2,003,406	774,052	8,840,284
Inventories	204,031	180,155		384,186
Total assets	<u>\$ 18,501,932</u>	<u>\$ 5,435,476</u>	<u>\$ 2,519,508</u>	<u>\$ 26,456,916</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and other liabilities	\$ 13,790,571	\$ 482,927	\$ 209,533	\$ 14,483,031
Due to other funds	5,458	4,196	1,247,238	1,256,892
Due to Primary Government	273,746			273,746
Unearned revenues			52,852	52,852
Total liabilities	<u>14,069,775</u>	<u>487,123</u>	<u>1,509,623</u>	<u>16,066,521</u>
Fund balances				
Nonspendable	204,031	180,155		384,186
Restricted		4,768,198	1,009,885	5,778,083
Assigned	4,228,126			4,228,126
Total fund balances	<u>4,432,157</u>	<u>4,948,353</u>	<u>1,009,885</u>	<u>10,390,395</u>
Total liabilities and fund balances	<u>\$ 18,501,932</u>	<u>\$ 5,435,476</u>	<u>\$ 2,519,508</u>	<u>\$ 26,456,916</u>

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

Total fund balance	\$ 10,390,395
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.	95,237,801
Accumulated depreciation on capital assets	(83,963,705)
Net other postemployment benefit liability	(9,544,998)
Capital Lease	(89,868)
Long-term liability for compensated absences	(6,121,453)
Net pension liability	(203,873,438)
Deferred outflows of resources related to pensions	21,553,569
Deferred inflows of resources related to pensions	<u>(22,727,961)</u>
Net position discretely presented component unit School Board	<u>\$ (199,139,658)</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, 2016

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
REVENUES				
State funds	\$ 121,175,357	\$ 199,799	\$ 1,049,539	\$ 122,424,695
Federal funds (includes pass through)	818,133	8,045,442	13,085,742	21,949,317
Other receipts	1,563,359	2,225,041	1,182,156	4,970,556
Payments from City	71,112,223			71,112,223
Net increase(decrease) in fair value of investments	160			160
Total revenues	<u>194,669,232</u>	<u>10,470,282</u>	<u>15,317,437</u>	<u>220,456,951</u>
EXPENDITURES				
Education	<u>194,860,572</u>	<u>10,414,632</u>	<u>15,438,832</u>	<u>220,714,036</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(191,340)</u>	<u>55,650</u>	<u>(121,395)</u>	<u>(257,085)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from:				
Food Services Fund	500,000			500,000
School Operating Fund			434,102	434,102
Reimbursable Projects Fund	7,686			7,686
Transfer to:				
School Operating Fund		(500,000)	(7,686)	(507,686)
Reimbursable Projects Fund	(434,102)			(434,102)
Total other sources (uses), net	<u>73,584</u>	<u>(500,000)</u>	<u>426,416</u>	<u></u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(117,756)	(444,350)	305,021	(257,085)
Fund balance - July 1	<u>4,549,913</u>	<u>5,392,703</u>	<u>704,864</u>	<u>10,647,480</u>
Fund balance - June 30	<u>\$ 4,432,157</u>	<u>\$ 4,948,353</u>	<u>\$ 1,009,885</u>	<u>\$ 10,390,395</u>
Reconciliation of the School Board's Combining Statement of Revenues, Expenditures and Changes in Fund Balances to the Combining Statement of Activities (Exhibit A-12)				
Net change in fund balances - total school funds				\$ (257,085)
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				757,519
Depreciation expense				(1,904,717)
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.				
Decrease in capital leases are not reported as expenditures in the governmental funds.				(40,470)
Increase in other postemployment benefit liability reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds.				122,927
Decrease in compensated absences reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds.				604,731
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				(5,812)
Decrease in deferred inflows of resources related to pensions reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds				217,366
Increase in deferred outflows of resources related to pensions reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds				5,851,753
Increase in deferred outflows of resources related to pensions reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds				1,467,140
Change in net position of governmental activities				<u>\$ 6,813,352</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, 2016

	School Board - School Operating Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Intergovernmental:				
State Funds	\$ 121,541,531	\$ 121,541,531	\$ 121,175,357	\$ (366,174)
Federal funds (includes pass through)	923,000	923,000	818,133	(104,867)
Miscellaneous	1,172,500	1,172,500	1,190,564	18,064
Payments from City	71,112,223	71,112,223	71,112,223	
Total revenues	<u>194,749,254</u>	<u>194,749,254</u>	<u>194,296,277</u>	<u>(452,977)</u>
EXPENDITURES				
Current:				
Education	197,585,346	195,675,076	194,405,618	(1,269,458)
Total expenditures	<u>197,585,346</u>	<u>195,675,076</u>	<u>194,405,618</u>	<u>(1,269,458)</u>
Excess (deficiency) of revenues over (under) expenses	<u>(2,836,092)</u>	<u>(925,822)</u>	<u>(109,341)</u>	
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	500,000	
Transfers out	(721,102)	(721,102)	(721,102)	
Total other financing sources (uses)	<u>(221,102)</u>	<u>(221,102)</u>	<u>(221,102)</u>	
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(3,057,194)	(1,146,924)	(330,443)	
Appropriations from fund balance	3,057,194	3,474,895		
Appropriations - encumbrances		<u>(2,327,971)</u>		
Fund balance - July 1			<u>3,474,893</u>	
Fund balance - June 30	<u>\$</u>	<u>\$</u>	<u>\$ 3,144,450</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, 2016

Assets held by the Treasurer:

Cash on hand	\$ 7,050
Cash in banks:	
Old Point National Bank	8,545,541
Investments:	
Certificates of deposit	26,348,403
Commercial paper	6,978,717
Repurchase agreement	1,300,000
Investment in mutual and money market funds	1,159,180
State Local Government Investment Pool	115,000,000
U.S. Government securities	15,986,261
Timing differences	165
Total assets	<u>\$ 175,325,317</u>

Liabilities of the Treasurer:

Balance of City funds	<u>\$ 175,325,317</u>
Cash and cash equivalents	
Primary Government per Exhibit A-1	\$ 147,021,111
School Board per Exhibit A-11	8,808,587
Economic Development Authority per Exhibit A-11	4,254,486
General Fund Investments per Exhibit A-3	15,996,946
Restricted cash and investments - Enterprise Funds per Exhibit A-6	
Cash and cash equivalents	2,350,009
Investments	15,033,281
Cash and cash equivalents - Fiduciary Funds per Exhibit A-9	708,308
Investments - Component Unit - EDA per Exhibit A-11	167
Adjust investments in CAFR from fair value to cost	(10,685)
Timing differences	813
Less:	
Petty cash	\$ (22,157)
Cash and investments held by trustees	<u>(18,815,549)</u>
	<u>(18,837,706)</u>
Balance of City funds	<u>\$ 175,325,317</u>

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 114,428
Cash payments to suppliers for goods and services	(2,336,206)
Cash payments to employees for services	(6,500)
Other receipts (payments)	(3,101)
Net cash provided by (used in) operating activities	<u>(2,231,379)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payment from primary government	<u>4,946,073</u>
Net cash provided by (used in) noncapital financing activities	<u>4,946,073</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(2,985,736)
Principal paid on revenue bond maturities and long-term debt	(686,604)
Interest paid on revenue bonds and long-term debt	(303,456)
Net cash provided by (used in) capital and related financing activities	<u>(3,975,796)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	3,303
Proceeds from collection of loans	32,024
Proceeds from collection of lease receivable	686,603
Interest received on loans	3,658
Interest received on lease receivable	317,928
Net cash provided by (used in) investing activities	<u>1,043,516</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(217,586)
Cash and cash equivalents (including restricted), July 1	<u>4,472,072</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 4,254,486</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2016

Operating income (loss)	<u>\$ (2,642,643)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	102,468
Cost of land sold	49,040
Decrease (increase) in:	
Accounts receivable	(5,626)
Notes receivable	94,161
Due from primary government	(52,783)
Increase (decrease) in:	
Accounts payable	482,795
Due to primary government	(194,274)
Other liabilities	(20,556)
Nonoperating revenues reported as operating revenues	29,644
Notes receivable reported as nonoperating activities	(94,161)
Other liabilities reported as nonoperating revenues	20,556
Total adjustments	<u>411,264</u>
Net cash provided by (used in) operating activities	<u>\$ (2,231,379)</u>
Non-cash transactions affecting investing capital and related financing activities:	
Contribution of Land	457,700
Net increase (decrease) in fair value of investments	<u>\$ 111</u>
Total non-cash transactions	<u>\$ 457,811</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, 2016

	Appropriations			Expenditures	Variance with Final Budget Over (Under)
	Budget July 1, 2015	Net Changes	Final June 30,2016		
EXPENDITURES					
Administration/attendance and health	\$ 10,140,758	\$ 16,918	\$ 10,157,676	\$ 10,135,820	\$ (21,856)
Instructional	146,446,710	(2,231,289)	144,215,421	143,320,744	(894,677)
Public transportation service	9,640,013	248,685	9,888,698	9,731,902	(156,796)
Operation and maintenance of school plant	18,664,071	(255,939)	18,408,132	18,284,956	(123,176)
Technology	12,693,794	311,355	13,005,149	12,932,196	(72,953)
Total expenditures	<u>197,585,346</u>	<u>(1,910,270)</u>	<u>195,675,076</u>	<u>194,405,618</u>	<u>(1,269,458)</u>
OPERATING TRANSFER OUT					
To Student Activities Fund	287,000		287,000	287,000	
To Reimbursable Projects Fund	434,102		434,102	434,102	
Total transfers out	<u>721,102</u>		<u>721,102</u>	<u>721,102</u>	
Total expenditures and transfers out	<u>\$ 198,306,448</u>	<u>\$ (1,910,270)</u>	<u>\$ 196,396,178</u>	<u>\$ 195,126,720</u>	<u>\$ (1,269,458)</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, 2016

	Original	Final Budgeted Revenues	Actual Revenues	Variance with Final Budget Over (Under)
State funds:				
Basic appropriation	\$ 58,211,941	\$ 58,211,941	\$ 58,482,302	\$ 270,361
At risk payment	2,826,914	2,826,914	2,833,765	6,851
Remedial education	2,960,402	2,960,402	2,967,699	7,297
K-3 Primary Class Size	3,239,818	3,239,818	3,213,730	(26,088)
Virginia Retirement System	7,548,323	7,548,323	7,566,929	18,606
Social security benefits	3,816,252	3,816,252	3,825,659	9,407
Group life insurance	238,516	238,516	239,104	588
Special education	9,746,262	9,746,262	9,626,884	(119,378)
Textbook payments	1,349,999	1,349,999	1,353,327	3,328
Remedial summer school	985,883	985,883	856,886	(128,997)
At risk 4 year old	2,670,750	2,670,750	2,670,750	
Gifted	659,426	659,426	661,051	1,625
Foster home	126,000	126,000	87,359	(38,641)
Vocational education	1,204,458	1,204,458	1,207,453	2,995
VPSA education tech grant	1,134,400	1,134,400	1,134,400	
ESL	252,028	252,028	286,959	34,931
Early Reading Intervention	331,951	331,951	334,210	2,259
SOL Algebra Readiness	338,088	338,088	337,862	(226)
Sales tax	21,465,502	21,465,502	21,434,790	(30,712)
Medicaid Reimbursement	1,200,000	1,200,000	816,613	(383,387)
Salary supplement	1,037,828	1,037,828	1,040,835	3,007
Early reading specialists initiative	196,790	196,790	196,790	
Total state funds	<u>121,541,531</u>	<u>121,541,531</u>	<u>121,175,357</u>	<u>(366,174)</u>
Federal Funds:				
Public law 874	500,000	500,000	403,295	(96,705)
Impact Aid Special Education	100,000	100,000	97,526	(2,474)
U.S. Army- ROTC	96,000	96,000	139,441	43,441
U.S. Air Force- ROTC	67,000	67,000	56,142	(10,858)
U.S. Navy - ROTC	83,000	83,000	75,489	(7,511)
U.S. Marine Corps - ROTC	77,000	77,000	46,240	(30,760)
Total federal funds	<u>(923,000)</u>	<u>923,000</u>	<u>818,133</u>	<u>(104,867)</u>
Other funds:				
Fees from students	21,000	21,000	21,947	947
Tuition from regular day students			14,075	14,075
Miscellaneous revenue	600,000	600,000	28,946	(571,054)
Medicaid reimbursement			53,106	53,106
Interest	1,500	1,500	2,607	1,107
Other	550,000	550,000	1,069,883	519,883
Total other funds	<u>1,172,500</u>	<u>1,172,500</u>	<u>1,190,564</u>	<u>18,064</u>
Total revenues	<u>123,637,031</u>	<u>123,637,031</u>	<u>123,184,054</u>	<u>(452,977)</u>
Other credits:				
Payment from the City	71,112,223	71,112,223	71,112,223	
Transfer from Food Services Fund	500,000	500,000	500,000	
Total other credits	<u>71,612,223</u>	<u>71,612,223</u>	<u>71,612,223</u>	
Total revenues and other credits	<u>\$ 195,249,254</u>	<u>\$ 195,249,254</u>	<u>\$ 194,796,277</u>	<u>\$ (452,977)</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
DEPARTMENT OF AGRICULTURE		
SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM CLUSTER:		
Pass-through payments:		
Virginia Department of Social Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program(90304)	10.561	\$ <u>1,549,339</u>
CHILD NUTRITION CLUSTER:		
Direct payments:		
Summer Food Service Program for Children	10.559	161,680
Pass-through payments:		
Department of Education:		
School Breakfast Program (184356012)	10.553	1,746,682
National School Lunch Program (184356012)	10.555	5,598,473
Department of Agriculture and Consumer Services:		
Special Milk Program for Children (184356012)	10.556	<u>700,288</u>
Total Child Nutrition Cluster		<u>8,207,123</u>
Total Department of Agriculture		<u>9,756,462</u>
DEPARTMENT OF COMMERCE:		
Direct Payments:		
Chesapeake Bay Studies	11.457	<u>81,671</u>
Total Department of Commerce		<u>81,671</u>
DEPARTMENT OF DEFENSE:		
Direct Payments:		
U.S. Army - ROTC	12.Unknown	139,441
U.S. Air Force - ROTC	12.Unknown	56,142
U.S. Navy - ROTC	12.Unknown	75,489
U.S. Marine Corps - ROTC	12.Unknown	<u>46,240</u>
Total Department of Defense		<u>317,312</u>
DEPARTMENT OF EDUCATION:		
Direct payments:		
Impact Aid	84.041	500,821
Pass-through payments:		
Department of Behavioral Health and Developmental Services:		
Gaining Early Awareness and Readiness for Undergraduate Programs (184356012)	84.334	166
Title I Grants to Local Educational Agencies (184356012)	84.010	5,693,876
School Improvement Grants (184356012)	84.377	663,653
Supporting Effective Instruction State Grant (184356012)	84.367	1,328,849
English Language Acquisition State Grant (184356012)	84.365	44,464
Twenty-First Century Community Learning Centers (184365012)	84.287	678,219
Grants for Infants and Families (720C-04446-15B-16)	84.181	474,668

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
Special Education:		
Grants to States (184365012)	84.027	\$ 4,114,443
Preschool Grants (184365012)	84.173	<u>121,291</u>
Total Special Education Cluster		<u>4,235,734</u>
Career and Technical Education:		
Basic Grants to States (184365012)	84.048	<u>359,110</u>
Total Department of Education		<u>13,979,560</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
MEDICAID CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Medical Assistance Program (90160)	93.778	<u>1,964,280</u>
Total Medicaid Cluster		<u>1,964,280</u>
Affordable Care Act MIECH Visiting program (705AT53247)	93.505	435,528
OTHER:		
Pass-through payments:		
Department of Social Services:		
Promoting Safe and Stable Families (91129)	93.556	74,294
Temporary Assistance for Needy Families (TANF) (90601, 90603)	93.558	2,372,376
Refugee & Entrant Assistance (90623)	93.566	20,170
Low-Income Home Energy Assistance (91114)	93.568	179,569
Child Care and Developmental Fund Cluster:		
Child Care and Development Fund (91416)	93.596	<u>234,507</u>
Total Child Care and Development Fund Cluster		<u>234,507</u>
Chafee Education and Training Vouchers Program (90353)	93.599	4,360
Stephanie Tubbs Jones Child Welfare Services Program (91131)	93.645	7,840
Foster Care - Title IV-E (90658)	93.658	762,355
Adoption Assistance (90606)	93.659	713,933
Social Services Block Grant (SSBG) (91142)	93.667	1,308,268
Chafee Foster Care Independence Program (91134)	93.674	11,565
Children's Health Insurance Program (90161)	93.767	<u>66,275</u>
Total Department of Health and Human Services (Other)		<u>8,155,320</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:		
FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:		
Direct payments:		
Foster Grandparent Program	94.011	<u>329,460</u>
Total Foster Grandparent, Senior Companion Cluster		<u>329,460</u>
DEPARTMENT OF HOMELAND SECURITY:		
Direct payments:		
Emergency Management Performance Grants	97.042	79,948
Assistance to Firefighters	97.044	53,705

continued

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	374,985
Port Security Grant Program	97.056	196,416
Pass-through payments:		
Virginia Department of Emergency Management:		
Hazard Mitigation Grant (HMGP-4042-016)	97.039	\$ 256,335
Repetitive Flood Claims Grant Program (EMP-2012-SR-0002)	97.092	444,041
Homeland Security Grant Program (6606, 6762, 6831)	97.067	<u>123,446</u>
Total Department of Homeland Security		<u>1,528,876</u>
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT:		
Direct payments:		
Emergency Solutions Grant Program	14.231	<u>101,826</u>
Total Department of Housing and Community Development		<u>101,826</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
CDBG - ENTITLEMENT GRANTS CLUSTER:		
Direct payments:		
Community Development Block Grants/Entitlement Grants (\$582,887 provided to subrecipient)	14.218	<u>582,887</u>
Total CDBG - Entitlement Grants Cluster		<u>582,887</u>
OTHER		
Direct payments:		
Home Investment Partnership Program (\$414,710 provided to subrecipient)	14.239	<u>414,710</u>
Total Department of Housing and Urban Development		<u>997,597</u>
DEPARTMENT OF JUSTICE		
Direct payments:		
Department of Criminal Justice Services:		
Violence Against Women Formula Grant	16.588	66,640
Crime Victim Assistance	16.575	185,199
Edwards Byrne Memorial Justice Assistance Grant Program	16.738	12,311
Residential Substance Abuse Treatment for State Prisoners	16.593	8,230
Equitable Sharing Program	16.922	<u>102,134</u>
Total Department of Justice		<u>374,514</u>
DEPARTMENT OF TRANSPORTATION:		
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER:		
Pass-through payments:		
Highway Planning and Construction	20.205	<u>6,334,895</u>
Total Highway Planning and Construction Cluster		<u>6,334,895</u>
State and Community Highway Safety (SC-2015-55196)	20.600	<u>46,941</u>
Total Department of Transportation		<u>6,381,836</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Granting Agency/ Recipient State Agency/ <u>Grant Program/Grant Number</u>	Federal Catalogue Number	<u>Expenditures</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:		
Direct payments:		
Education	43.008	\$ 225,000
NASA Steam Sales	43.Unknown	5,349,999
Cross Agency Support	43.009	<u>298,448</u>
Total National Aeronautics and Space Administration		<u>5,873,447</u>
Grand Total All Federally Assisted Programs and Grants		<u>\$ 47,877,881</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 of Hampton single audit reporting entity is defined in Note 1, Reporting Entity, to the City's basic financial statements.

The Schedule of Expenditures of Federal Awards does not include federal funding of \$223,000 in the General Fund. This amount represents indirect costs from other federally assisted programs administered by the City and is included in the federal revenue.

(B) Basis of Accounting

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

(C) Indirect Cost

The City has elected to not use the 10% de minimis indirect cost rate.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
CONVENTION CENTER REVENUE BONDS
June 30, 2016

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2017	\$ 2,555,000	\$ 3,917,435	\$ 6,472,435
2018	2,680,000	3,791,388	6,471,388
2019	2,815,000	3,656,104	6,471,104
2020	2,960,000	3,511,919	6,471,919
2021	3,110,000	3,360,150	6,470,150
2022	3,270,000	3,203,088	6,473,088
2023	3,430,000	3,038,825	6,468,825
2024	3,610,000	2,861,751	6,471,751
2025	3,795,000	2,672,822	6,467,822
2026	3,990,000	2,482,332	6,472,332
2027	4,190,000	2,282,244	6,472,244
2028	4,410,000	2,062,394	6,472,394
2029	4,640,000	1,830,488	6,470,488
2030	4,935,000	1,585,128	6,520,128
2031	5,195,000	1,325,547	6,520,547
2032	5,470,000	1,052,256	6,522,256
2033	5,750,000	764,744	6,514,744
2034	6,045,000	471,547	6,516,547
2035	6,355,000	162,847	6,517,847
	<u>\$ 79,205,000</u>	<u>\$ 44,033,009</u>	<u>\$ 123,238,009</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
ECONOMIC DEVELOPMENT AUTHORITY REVENUE BONDS
June 30, 2016

Fiscal Year Ending June 30,	2002		Total Debt Service
	Tax-Exempt Principal	Interest	
2017	\$ 729,460	\$ 260,599	\$ 990,059
2018	776,573	213,486	990,059
2019	825,913	164,146	990,059
2020	878,387	111,672	990,059
2021	933,997	56,062	990,059
2022	190,958	5,924	196,882
	<u>\$ 4,335,288</u>	<u>\$ 811,889</u>	<u>\$ 5,147,177</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
For the Year Ended June 30, 2016

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2017	\$ 22,130,000	\$ 11,118,768	\$ 33,248,768
2018	22,385,000	10,321,620	32,706,620
2019	20,375,000	9,392,447	29,767,447
2020	20,430,000	8,635,752	29,065,752
2021	17,765,000	7,723,853	25,488,853
2022	18,410,000	6,719,893	25,129,893
2023	17,015,000	5,857,353	22,872,353
2024	16,415,000	5,003,533	21,418,533
2025	17,135,000	4,193,833	21,328,833
2026	17,895,000	3,346,753	21,241,753
2027	13,885,000	2,458,931	16,343,931
2028	14,330,000	1,634,964	15,964,964
2029	5,320,000	1,175,261	6,495,261
2030	5,450,000	955,780	6,405,780
2031	4,800,000	754,675	5,554,675
2032	4,920,000	588,113	5,508,113
2033	5,050,000	410,863	5,460,863
2034	3,635,000	224,100	3,859,100
2035	3,785,000	75,700	3,860,700
	<u>\$ 251,130,000</u>	<u>\$ 80,592,192</u>	<u>\$ 331,722,192</u>

CITY OF HAMPTON, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2016

Assessed value:		
Real estate	\$ 10,127,280,337	
Public service corporations - real estate	32,236,058	
Newport News Waterworks	<u>56,459,400</u>	<u>\$ 10,215,975,795</u>
Debt Limit at 10% of assessed value		<u>1,021,597,580</u>
General obligation bonded debt:		
General obligations bonds	247,893,407	
General obligation bonds - Steam Plant	<u>3,236,593</u>	
Total long-term debt		<u>251,130,000</u>
Legal debt margin		<u>\$ 770,467,580</u>

Note:

Virginia state statute limits bonds issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, compensated absences, claims and judgements, net pension obligation, net OPEB obligation and net pension liability totaling \$204,212,913 at June 30, 2016.

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
2007	\$ 9,285,102	\$ 123,453	\$ 66,570	\$ 9,475,125	\$ 889,008	\$ 92,981	\$ 981,989
2008	10,976,166	143,250	64,280	11,183,696	911,503	87,705	999,208
2009	11,357,489	155,505	61,626	11,574,620	888,999	93,427	982,426
2010	11,448,119	166,948	59,453	11,674,520	857,853	103,642	961,495
2011	11,166,293	203,348	59,454	11,429,095	876,337	104,558	980,895
2012	10,930,778	31,079	58,507	11,020,364	893,459	274,803	1,168,262
2013	10,480,999	31,923	59,881	10,572,803	929,896	280,117	1,210,013
2014	10,162,678	28,837	59,298	10,250,813	948,177	251,247	1,199,424
2015	10,092,713	30,562	59,119	10,182,394	927,856	279,504	1,207,360
2016	10,127,280	32,236	56,459	10,215,975	970,772	289,756	1,260,528

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⁾
2007	\$ 1.14	\$ 4.25
2008	1.06	4.25
2009	1.04	4.25
2010	1.04	4.25
2011	1.04	4.25
2012	1.04	4.25
2013	1.04	4.25
2014	1.24	4.25
2015	1.24	4.50
2016	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, 2016

Economic Development Authority Revenue Bonds	\$ 4,335,288
Convention Center Revenue Bonds	<u>79,205,000</u>
Total	<u>\$ 83,540,288</u>

Source: City Finance Department

CITY OF HAMPTON, VIRGINIA
General Fund Expenditures
For the Year Ended June 30, 2016

<u>Expenditures</u>	2016 <u>Actual</u>	Percent of Total <u>Actual</u>	2015 <u>Actual</u>	<u>Difference</u>	<u>Percentage Change</u>
General government	\$ 105,011,514	32.31 %	\$ 101,211,517	\$ 3,799,997	3.62 %
Public safety	50,265,177	15.47 %	48,021,370	2,243,807	4.46 %
Highways and streets	2,026,296	0.62 %	1,908,348	117,948	5.82 %
Health	2,484,855	0.76 %	2,604,809	(119,954)	(4.83)%
Human services	19,737,574	6.07 %	19,034,980	702,594	3.56 %
Culture & recreation	12,954,034	3.99 %	12,521,859	432,175	3.34 %
Education - city share	71,112,223	21.88 %	71,112,223	-	-
Education - other sources	2,071,125	0.64 %	2,128,797	(57,672)	(2.78)%
Transfers out	59,341,396	18.26 %	57,133,810	2,207,586	3.72 %
Totals	<u>\$ 325,004,194</u>	<u>100.00 %</u>	<u>\$ 315,677,713</u>	<u>\$ 9,326,481</u>	<u>2.87 %</u>

Source: City of Hampton, Virginia Comprehensive Annual Financial Report for years ended June 30, 2015 and 2016.

CITY OF HAMPTON, VIRGINIA
Summary of General Fund (In Thousands)
Fiscal Years Ended June 30, 2012-2016

	2012	2013	2014	2015	2016
Revenues	\$ 297,049	\$ 297,991	\$ 317,298	\$ 317,103	\$ 326,631
Expenditures ⁽⁵⁾	<u>239,027</u>	<u>248,828</u>	<u>254,591</u>	<u>258,544</u>	<u>265,663</u>
Excess of Revenue over(under) Expenditures	<u>58,022</u>	<u>49,163</u>	<u>62,707</u>	<u>58,559</u>	<u>60,968</u>
Other Financing Sources(Uses)					
Transfers in		4,311	7	117	230
Transfers out ⁽¹⁾	<u>(67,770)</u>	<u>(55,275)</u>	<u>(60,856)</u>	<u>(57,134)</u>	<u>(59,341)</u>
Net Other Financing Sources(Uses)	<u>(67,770)</u>	<u>(50,964)</u>	<u>(60,849)</u>	<u>(57,017)</u>	<u>(59,111)</u>
Net Change in Fund Balances	(9,748) ⁽³⁾	(1,801) ⁽³⁾	1,858	1,542	1,857
Fund Balance, Beginning of Year, As Restated	<u>102,338</u> ⁽⁴⁾	<u>91,651</u> ⁽²⁾	<u>89,851</u>	<u>91,709</u>	<u>93,541</u> ⁽²⁾
Fund Balance, End of Year	<u>\$ 92,590</u>	<u>\$ 89,850</u>	<u>\$ 91,709</u>	<u>\$ 93,251</u>	<u>\$ 95,398</u>

Source: City's Comprehensive Annual Financial Report Exhibit B-2 for the fiscal years June 30, 2012 through 2016.

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

(2) Restated Fund Balance.

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

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

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

CITY OF HAMPTON, VIRGINIA
Debt Ratios
As of June 30, 2016

	<u>Amount</u>	<u>Per Capita</u>	<u>Ratio to Assessed Value</u>
Gross Direct Debt	\$ 251,130,000	\$ 1,811.56	2.46 %

Source: Finance Department, City of Hampton, Virginia

(1) Per capita amounts are based on a 2016 population of 138,626, as provided by the Weldon Cooper Center for Public Service.

(2) Assessed value of total real property is \$10,216 billion as of June 30, 2016.

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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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net investment in capital assets	\$ 503,514	\$ 558,006	\$ 568,771	\$ 573,018	\$ 586,847	\$ 588,035	\$ 623,887	\$ 623,505	\$ 634,537	\$ 637,860
Restricted	13,802	23,660	32,433	21,147	10,900	11,809	12,452	13,271	75,606	49,062
Unrestricted	<u>118,758</u>	<u>130,457</u>	<u>118,932</u>	<u>112,882</u>	<u>109,652</u>	<u>92,128</u>	<u>55,615</u>	<u>76,514</u>	<u>(140,469)</u>	<u>(108,850)</u>
Total governmental activities net position	<u>\$ 636,074</u>	<u>\$ 712,123</u>	<u>\$ 720,136</u>	<u>\$ 707,047</u>	<u>\$ 707,399</u>	<u>\$ 691,972</u>	<u>\$ 691,954</u>	<u>\$ 713,290</u>	<u>\$ 569,674</u>	<u>\$ 578,072</u>
Business-type activities										
Net investment in capital assets	\$ 92,152	\$ 62,230	\$ 58,780	\$ 58,666	\$ 68,697 ⁽²⁾	\$ 69,003	\$ 73,585	\$ 70,855	\$ 70,321	\$ 70,136
Restricted	27,158	26,356	25,578	26,727	18,721	16,844	904	8,256	8,031	8,037
Unrestricted	<u>24,823</u>	<u>11,017</u>	<u>15,035</u>	<u>16,521</u>	<u>18,418</u>	<u>22,001</u>	<u>32,081</u>	<u>29,174</u>	<u>19,149</u>	<u>25,679</u>
Total business-type activities net position	<u>\$ 144,133</u>	<u>\$ 99,603 ⁽¹⁾</u>	<u>\$ 99,393</u>	<u>\$ 101,914</u>	<u>\$ 105,836</u>	<u>\$ 107,848</u>	<u>\$ 106,570</u>	<u>\$ 108,285</u>	<u>\$ 97,501</u>	<u>\$ 103,852</u>
Primary government										
Net investment in capital assets	\$ 595,666	\$ 620,236	\$ 627,551	\$ 631,684	\$ 655,544	\$ 657,037	\$ 697,472	\$ 694,360	\$ 704,858	\$ 707,996
Restricted	40,960	50,016	58,011	47,874	29,621	28,655	13,356	21,527	83,637	57,099
Unrestricted	<u>143,581</u>	<u>141,474</u>	<u>133,967</u>	<u>129,403</u>	<u>128,070</u>	<u>114,129</u>	<u>87,696</u>	<u>105,688</u>	<u>(121,320)</u>	<u>(83,171)</u>
Total Primary Government net position	<u>\$ 780,207</u>	<u>\$ 811,726</u>	<u>\$ 819,529</u>	<u>\$ 808,961</u>	<u>\$ 813,235</u>	<u>\$ 799,821</u>	<u>\$ 798,524</u>	<u>\$ 821,575</u>	<u>\$ 667,175</u>	<u>\$ 681,924</u>

Note:

- (1) The decrease in business-type activities for fiscal year 2008 is attributable to the reclassification of HRHA from a blended component unit in the business-type activities to a discretely presented component unit.
- (2) The increase in net investment in capital assets for fiscal year 2011 is due to the related debt decreasing at a greater rate than the decrease in net position. The decrease in restricted assets for fiscal year 2011 is due to the decrease in debt service.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 99,822	\$ 101,494	\$ 100,134	\$ 111,650	\$ 114,765	\$ 128,783	\$ 127,924	\$ 101,058	\$ 105,553	\$ 111,928
Public safety	46,315	50,039	51,052	51,937	49,063	49,635	53,205	69,813	72,324	70,781
Highway and streets	14,658	7,774	12,374 ⁽⁵⁾	12,078	13,068	11,862	15,511	18,774	14,433	18,872
Sanitation	2,867	4,959	4,641	3,471	3,630	3,899				
Health	3,125	3,090	3,098	2,949	3,161	3,056	3,337	1,114	3,528	1,214
Human services	28,535	30,004	30,198	31,226	31,574	29,142	28,528	32,807	33,234	32,460
Culture and recreation	16,368	23,524	19,664 ⁽⁴⁾	17,771	14,531	13,540	15,798	17,006	18,356	17,496
Education (payment to school district)	62,211	66,517	69,217 ⁽⁵⁾	68,052	67,051	66,345	64,925	70,773	71,112	71,112
Education and educational services	6,519	5,133	9,336	7,388	8,627	14,337	9,930	12,464	14,479	15,096
Interest on long-term debt	8,822	12,389	15,161 ⁽⁶⁾	17,951	11,052	8,351	7,991	9,136	8,579	8,053
Total governmental activities expenses	<u>\$ 289,242</u>	<u>\$ 304,923</u>	<u>\$ 314,875</u>	<u>\$ 324,473</u>	<u>\$ 316,522</u>	<u>\$ 328,950</u>	<u>\$ 327,149</u>	<u>\$ 332,945</u>	<u>\$ 341,598</u>	<u>\$ 347,012</u>
Business-type activities										
Culture	31,799	34,409	32,295	30,454	27,766	27,727	25,416	28,395	29,741	26,527
Sanitation	19,479	20,379	21,487	22,067	22,923	23,831	24,475	24,941	23,829	24,020
Housing	24,013									
Total business-type activities expenses	<u>75,291</u>	<u>54,788</u>	<u>53,782</u>	<u>52,521</u>	<u>50,689</u>	<u>51,558</u>	<u>49,891</u>	<u>53,336</u>	<u>53,570</u>	<u>50,547</u>
Total Primary Government expenses	<u>\$ 364,533</u>	<u>\$ 359,711</u>	<u>\$ 368,657</u>	<u>\$ 376,994</u>	<u>\$ 367,211</u>	<u>\$ 380,508</u>	<u>\$ 377,040</u>	<u>\$ 386,281</u>	<u>\$ 395,168</u>	<u>\$ 397,559</u>
Program Revenues										
Governmental activities:										
Charges for Services:										
General government	\$ 6,581	\$ 12,425	\$ 5,807	\$ 6,982	\$ 7,129	\$ 7,772	\$ 24,293	\$ 24,458	\$ 22,911	\$ 25,865
Public safety	2,770	2,353	1,962	2,086	2,049	2,101	5,206	5,412	5,727	5,549
Sanitation	3,836	5,006	4,905	4,869	4,856	5,007				
Other activities	5,359	5,381	5,209	6,015	5,588	6,141	2,727	2,765	2,570	2,173
Operating grants and contributions	60,782	59,795 ⁽⁷⁾	76,025	79,412	82,269	77,821	75,926	80,434	80,281	80,113
Capital grants and contributions	10,066	57,530 ⁽⁷⁾	13,453	2,423	2,569	2,782	19,778	18,291	7,153	13,172
Total governmental activities program revenues	<u>89,394</u>	<u>142,490</u>	<u>107,361</u>	<u>101,787</u>	<u>104,460</u>	<u>101,624</u>	<u>127,930</u>	<u>131,360</u>	<u>118,642</u>	<u>126,872</u>
Business-type activities:										
Charges for Services:										
Culture and recreation	15,970	17,800	16,242	15,411	13,675	15,603	11,722	15,714	19,407	15,619
Sanitation	21,104	22,053	23,672	26,447	26,433	26,443	27,215	27,227	25,145	30,098
Housing	2,122									
Operating grants and contributions	24,859	2,848	2,528	2,522	3,132	1,302	1,098	1,832	1,256	1,236
Capital grants and contributions	6,049	1,531	1,180	1,472	592	613	95	114	58	510
Total business-type activities program revenues	<u>70,104</u>	<u>44,232</u>	<u>43,622</u>	<u>45,852</u>	<u>43,832</u>	<u>43,961</u>	<u>40,130</u>	<u>44,887</u>	<u>45,866</u>	<u>47,463</u>
Total Primary Government program revenues	<u>\$ 159,498</u>	<u>\$ 186,722</u>	<u>\$ 150,983</u>	<u>\$ 147,639</u>	<u>\$ 148,292</u>	<u>\$ 145,585</u>	<u>\$ 168,060</u>	<u>\$ 176,247</u>	<u>\$ 164,508</u>	<u>\$ 174,335</u>
Net (expense)/revenue										
Governmental activities	\$ (199,848)	\$ (162,433)	\$ (207,514)	\$ (222,686)	\$ (212,062)	\$ (227,326)	\$ (199,219)	\$ (201,585)	\$ (222,956)	\$ (220,140)
Business-type activities	(5,187)	(10,556)	(10,160)	(6,669)	(6,857)	(7,597)	(9,761)	(8,449)	(7,704)	(3,084)
Total Primary Government net (expense)/revenue	<u>\$ (205,035)</u>	<u>\$ (172,989)</u>	<u>\$ (217,674)</u>	<u>\$ (229,355)</u>	<u>\$ (218,919)</u>	<u>\$ (227,409)</u>	<u>\$ (208,980)</u>	<u>\$ (210,034)</u>	<u>\$ (230,660)</u>	<u>\$ (223,224)</u>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Position										
Governmental activities:										
Taxes										
Property taxes	\$ 148,851	\$ 160,158	\$ 145,607	\$ 146,261	\$ 149,797	\$ 146,758	\$ 135,881	\$ 156,050	\$ 156,048	\$ 158,147
Sales taxes	13,804	13,765	13,172	13,590	13,828	13,962	14,247	14,588	15,050	15,368
Lodging, meal and amusement taxes	17,864	18,241	18,188	18,621	19,606	20,100	22,224	23,639	24,041	24,751
Motor vehicle taxes	3,602	3,758	3,698	3,398	3,813	3,692	4,203	4,346	4,273	4,375
Alcoholic beverage taxes	176	176 ⁽⁸⁾	(8)		(8)	(8)				
Business license taxes	12,391	12,783	12,207	12,349	11,562	12,126	11,850	12,077	11,435	12,092
Utility taxes	8,550	5,282	4,976	5,486	5,528	5,356	5,376	5,453	5,443	5,551
Tobacco taxes	3,942	3,760	3,629	3,538	3,681	4,364	4,264	4,421	4,077	4,624
Emergency 911 telephone taxes	956	421	408 ⁽¹²⁾		(12)	(12)				
Recordation taxes	2,658	2,339	1,706	1,687	1,443	1,422	1,900	1,436	1,763	2,066
Bank stock taxes	309	307	407	453	505	468	487	527	457	549
Pari-mutuel license taxes	113	106	93	80	79	66	59	43	4	
Short-term rental taxes	136	127	136	98	89	94	80	75	91	101
Franchise license taxes	1,341	1,364	1,448	1,327	(13)	(13)				
Communications sales tax	3,189	9,032	8,296	7,993	9,677	9,174	9,418	9,187	9,173	8,867
Mobile home titling tax	39	30	45	33	16	23	14	20	19	21
Investment earning	8,328	11,288	5,609	912	564	285	355	221	227	574
Miscellaneous	4,421	4,076	4,266	2,236	2,548	2,874				
Transfers	(8,318)	(8,530)	(8,364)	(8,467)	(10,322)	(8,865)	(9,600)	(9,161)	(9,106)	(8,549)
Total Governmental Activities	<u>222,352</u>	<u>238,483</u>	<u>215,527</u>	<u>209,595</u>	<u>212,414</u>	<u>211,899</u>	<u>200,758</u>	<u>222,922</u>	<u>222,995</u>	<u>228,537</u>
Business-type Activities:										
Investment earning	2,603	1,659	628	723	457	664	529	1,003	946	887
Miscellaneous	2,891	1,020	958		(11)	80				
Transfers	8,318	8,530	8,364	8,467	10,322	8,865	9,600	9,161	9,106	8,549
Total Business-Type Activities	<u>13,812</u>	<u>11,209</u>	<u>9,950</u>	<u>9,190</u>	<u>10,779</u>	<u>9,609</u>	<u>10,129</u>	<u>10,164</u>	<u>10,052</u>	<u>9,436</u>
Total Primary Government	<u>\$ 236,164</u>	<u>\$ 249,692</u>	<u>\$ 225,477</u>	<u>\$ 218,785</u>	<u>\$ 223,193</u>	<u>\$ 221,508</u>	<u>\$ 210,887</u>	<u>\$ 233,086</u>	<u>\$ 233,047</u>	<u>\$ 237,973</u>
Changes in Net Position										
Governmental activities	\$ 22,504	\$ 76,050	\$ 8,013	\$ (13,091)	\$ 352	\$ (15,427)	\$ 1,539	\$ 21,337	\$ 39	\$ 8,397
Business-type activities	8,625	653	(210)	2,521	3,922	2,012	368	1,715	2,348	6,352
Total Primary Government	<u>\$ 31,129</u>	<u>\$ 76,703</u>	<u>\$ 7,803</u>	<u>\$ (10,570)</u>	<u>\$ 4,274</u>	<u>\$ (13,415)</u>	<u>\$ 1,907</u>	<u>\$ 23,052</u>	<u>\$ 2,387</u>	<u>\$ 14,749</u>

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014*	2015	2016
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 29	\$ 44	\$ 34	\$ 224	\$ 598	\$ 26
Restricted					4,305	871	333	398	412	419
Committed					45,848	32,858	29,439	32,308	34,959	34,470
Assigned					2,025	7,708	5,926	7,257	5,237	6,250
Unassigned					50,198	51,175	54,185	51,589	52,112	54,301
Reserved	1,727	2,204	1,142	1,290	-	-	-	-	-	-
Unreserved	82,015	96,902	98,120	100,080	-	-	-	-	-	-
Total general fund	<u>\$ 83,742</u>	<u>\$ 99,106</u>	<u>\$ 99,262</u>	<u>\$ 101,370</u>	<u>\$ 102,405</u>	<u>\$ 92,656</u>	<u>\$ 89,917</u>	<u>\$ 91,776</u>	<u>\$ 93,318</u>	<u>\$ 95,466</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 4,943	\$ -	(1) \$ -	\$ -	\$ -	\$ 44
Restricted					12,377	10,938	12,336	13,368	14,107	15,455
Committed					48,147	26,122	53,748	39,064	66,535	35,957
Assigned					6,631	6,035	5,534	6,233	5,421	5,939
Reserved	7,760	7,351	6,259	16,461	-	-	-	-	-	-
Unreserved, reported in:										
Debt service			451	498	-	-	-	-	-	-
Special revenue funds	12,659	18,225	18,830	13,451	-	-	-	-	-	-
Capital projects funds	83,790	186,041	134,544	75,683	-	-	-	-	-	-
Permanent funds	63	65	67	67	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 104,272</u>	<u>\$ 211,682</u>	<u>\$ 160,151</u>	<u>\$ 106,160</u>	<u>\$ 72,098</u>	<u>\$ 43,095</u>	<u>\$ 71,618</u>	<u>\$ 58,665</u>	<u>\$ 86,063</u>	<u>\$ 57,395</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes (see table V)	\$ 214,475	\$ 231,277	\$ 213,346	\$ 213,976	\$ 219,413	\$ 211,542	\$ 210,415	\$ 229,596	\$ 230,933	\$ 236,457
Intergovernmental revenues	55,427	59,721	82,874	82,565	81,849	78,314	85,937	92,705	84,165	88,459
Licenses and permits	2,030	1,082	939	1,078	1,024	1,072	1,169	1,156	1,299	1,409
Fines and forfeitures	2,142	2,269	2,209	2,004	2,189	2,493	2,386	2,307	1,967	1,550
Revenue from use of money and property	10,355	17,855	9,417	2,861	2,065	1,319	1,329	1,395	2,142	1,469
Charges for services	9,812	10,895	10,489	11,354	11,532	13,414	15,570	17,297	17,240	18,093
Payment from component unit					2,001	2,000	2,000	2,000	2,000	2,000
Miscellaneous	7,891	6,025	4,660	4,848	5,532	5,987	7,705	8,056	5,529	5,877
Special assessments	-	-	-	-	-	4,558	6,543	4,730	4,183	6,358
Recovered costs	10,558	10,489	2,057	1,170	1,158	1,145	906	906	906	906
Total Revenues	312,690	339,613	325,991	319,856	326,763	321,844	333,960	360,148	350,364	362,578
Expenditures										
General government	87,791	89,137	91,568	98,305	99,066	96,371	102,441	103,076	106,074	110,436
Public safety	46,024	50,450	51,441	50,722	48,322	48,460	52,872	54,064	53,491	55,771
Highways and streets	2,405	2,395	2,362	2,200	1,812	1,980	1,947	1,932	1,908	2,026
Sanitation	2,883	3,656	3,543	3,455	3,637	3,949	3,935	4,332	4,413	5,004
Health	3,118	3,205	2,978	2,709	2,652	2,441	2,567	2,649	2,605	2,485
Human Services	28,491	30,032	30,480	31,187	31,558	29,151	28,437	28,557	29,394	28,993
Culture and recreation	14,196	15,255	15,680	15,452	12,080	12,564	13,202	11,678	12,725	13,150
Education (payment to school district)	62,211	66,517	69,216	68,052	67,052	66,345	64,925	70,773	71,112	71,112
Education	2,314	2,404	2,394	2,262	2,133	2,098	2,120	2,120	2,129	2,071
Capital improvements	27,460	46,615	84,855	74,162	53,115	52,536	38,473	49,030	48,449	56,298
Debt service										
Principal	24,443	12,530	13,235	15,210	17,640	18,714	19,661	22,166	23,152	22,336
Interest and fiscal charges	9,348	8,825	15,757	12,939	12,901	12,619	10,726	11,707	10,899	11,154
Bond issuance cost							470	-	519	3
Total expenditures	310,684	331,021	383,509	376,937	352,013	347,541	341,776	362,084	366,870	380,839
Excess (deficiency) of revenues over (under) expenditures	2,006	8,592	(57,518)	(57,081)	(25,250)	(25,697)	(7,816)	(1,936)	(16,506)	(18,261)
Other financing sources (uses)										
Debt issuance and capital leases	29,540	116,275	14,506	7,435	2,545	-	-	-	46,770	-
Proceeds from refunding bonds issued	-	29,540	-	-	-	44,770	38,865	-	56,250	-
Payment to refunded bond escrow agent	-	(29,540)	-	(65,469)	-	(49,562)	-	-	(70,151)	-
Premium on bond issue	-	-	-	-	-	5,118	5,263	-	21,684	-
Transfers in	39,652	37,362	41,435	39,893	48,507	59,650	52,360	55,156	50,289	55,227
Transfers out	(47,854)	(45,893)	(49,798)	(48,360)	(58,829)	(68,401)	(61,948)	(64,317)	(59,395)	(63,776)
Total other financing sources (uses)	21,338	114,182	6,143	5,199	(7,777)	(8,425)	34,540	(9,161)	45,447	(8,549)
Net change in fund balances	\$ 23,344	\$ 122,774	\$ (51,375)	\$ (51,882)	\$ (33,027)	\$ (34,122)	\$ 26,724	\$ (11,097)	\$ 28,941	\$ (26,810)
Debt service as a percentage of noncapital expenditures	11.28 %	7.20 %	9.33 %	8.97 %	9.62 %	9.40 %	9.26 %	10.28 %	9.98 %	9.31 %

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			Total
	Property					Licenses	Taxes	Taxes	
	Taxes		Taxes	Taxes	Taxes	Taxes	Taxes	Taxes ³	
2007	\$ 148,237	\$ 12,391	\$ 13,804	\$ 8,550	\$ 3,942	\$ 3,189	\$ 13,685	\$ 10,677	\$ 214,475
2008	160,329	12,784	13,765	5,703	3,760	9,032	13,974	11,930	231,277
2009	145,682	12,207	13,172	4,976	3,629	8,296	13,912	11,471	213,345
2010	145,245	12,349	13,590	4,962	3,538	7,993	14,417	11,882	213,976
2011	144,302	11,562	13,828	5,063	3,681	9,677	15,269	16,031	219,413
2012	141,076 ¹	12,126	13,962	4,929	4,364	9,174	15,793	10,118	211,542
2013	136,705	11,850	14,247	4,959	4,264	9,418	18,083	10,889	210,415
2014	154,193	12,077	14,588	4,986	4,421	9,187	18,974	11,170	229,596
2015	155,527	11,435	15,050	4,916	4,077	9,173	19,471	11,283	230,932
2016	158,543	12,092	15,368	5,056	4,624	8,867	20,073	11,833	236,456

Notes:

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

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

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

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

Real Estate							
Fiscal Year	Citizens' Property	Public 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
2007	\$ 9,285,102	\$ 123,453	\$ 66,570	\$ 9,475,125	\$ 11,693,354	81.03%	\$1.14
2008	10,976,166	143,250	64,280	11,183,696	13,936,070	80.25	1.06
2009	11,357,489	155,505	61,626	11,574,620	12,321,290	93.94	1.04
2010	11,448,119	166,948	59,453	11,674,520	11,637,281	100.32	1.04
2011	11,166,293	203,348	59,454	11,429,095	11,514,301	99.26	1.04
2012	10,930,778	31,079	58,507	11,020,364	10,643,581	103.54	1.04
2013	10,480,999	31,923	59,881	10,572,803	10,254,901	103.10	1.04
2014	10,162,678	28,837	59,298	10,250,813	10,373,217	98.82	1.24
2015	10,092,713	30,562	59,119	10,182,394	10,337,456	98.50	1.24
2016	10,127,280	32,236	56,459	10,215,975	10,215,975	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 98.5% for 2015. We assumed the sales to appraisal ratio would be 100% for fiscal year 2016.

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

Taxpayer	2016			2007		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Peninsula Main VA LLC	\$ 112,942	1	1.1 %			
City of Newport News/NN Waterworks	56,854	2	0.6 %			
FCLA LP	40,861	3	0.4 %			
MOLA LLC	40,856	4	0.4 %			
Hampton University OFC of General Counsel	39,794	5	0.4 %			
Ginkgo Lake Ridge C/O LLC	38,906	6	0.4 %			
Trail Creek Community LLC C/O The Wolff Company	36,791	7	0.4 %			
RP Hampton Exchange & RP Hampton CTR LLC	33,100	8	0.3 %			
Cambridge Apartments LC	31,856	9	0.3 %			
Coliseum Investment CO LLC	30,303	10	0.3 %			
Peninsula Town Center LLC				55,078	1	0.6 %
John Q Hammons				40,837	2	0.4 %
Hampton Center LLC				38,286	3	0.4 %
FCLA LP				35,840	4	0.4 %
Bri Lakeridge LLC				34,643	5	0.4 %
Hampton Institute				29,153	6	0.3 %
Hampton Training School Nurses				28,645	7	0.3 %
Cambridge Apartments LC				27,767	8	0.3 %
Riverdale Apartments LLC				27,542	9	0.3 %
Coliseum Crossing Associates LP				27,542	10	0.3 %
	<u>\$ 462,263</u>		<u>4.6 %</u>	<u>\$ 27,128</u>		<u>3.7 %</u>

Source: City of Hampton, Office of the Assessor of Real Estate

CITY OF HAMPTON, VIRGINIA
REAL ESTATE TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(amounts expressed in thousands)

<u>Fiscal Year</u>	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
2007	\$ 108,113	\$ 106,269	98.29 %	\$ 1,812	\$ 108,081	99.97%
2008	118,381	116,623	98.51 %	1,691	118,314	99.94%
2009	120,167	118,427	98.55 %	1,592	120,019	99.88%
2010	121,523	119,081	97.99 %	1,866	120,947	99.53%
2011	118,863	116,854	98.31 %	360	117,214	98.61%
2012	114,612	112,370	98.04 %	489	112,859	98.47%
2013	109,957	108,589	98.76 %	1,364	109,953	100.00%
2014	127,110	125,559	98.78 %	1,317	126,876	99.82%
2015	126,262	124,440	98.56 %	1,173	125,613	99.49%
2016	126,678	124,791	98.51 %	-	124,791	98.51%

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 ³	Per Capita	Capital Leases
	General Obligation Bonds ²	Notes Payable	State Literary Loans	Total			
2007	\$ 203,635	\$ 886	\$ 952	\$ 205,473	1.49%	\$ 1,410.17	\$ 1,730
2008	307,745	709	764	309,218	2.52%	2,119.94	1,309
2009	294,835	532	616	295,983	2.49%	2,052.53	1,001
2010	294,130	355	468	294,953	2.53%	2,037.69	15,925
2011	279,360	177	320	279,857	2.45%	2,036.27	15,159
2012	261,100	-	174	261,274	2.35%	1,901.06	19,195
2013	280,070	-	82	280,152	2.65%	2,044.91	16,797
2014	272,162	-	-	272,162	2.66%	1,958.00	14,374
2015	306,061	-	-	306,061	3.01%	2,201.88	11,894
2016	280,960	-	-	280,960	2.75%	2,021.29	9,517

Fiscal Year	Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita ⁴
	Revenue Bonds	Capital Leases	HRHA Notes Payable			
2007	\$ 117,300	\$ 1,250	\$ 870	\$ 326,623	6.84 %	\$ 2,241.63
2008	115,850	1,124	-	427,501	8.20 %	2,930.86
2009	114,360	1,006	-	412,350	7.89 %	2,859.49
2010	112,810	900	-	424,588	7.99 %	2,933.27
2011	100,120	748	-	395,884	7.26 %	2,880.50
2012	91,800	582	-	372,851	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	N/A	2,975.01
2016	92,128	-	-	382,605	N/A	2,752.55

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 2014.

N/A-Not available

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 947,512	\$ 1,118,370	\$ 1,157,462	\$ 1,167,452	\$ 1,142,909	\$ 1,102,036	\$ 1,057,280	\$ 1,025,081	\$ 1,018,239	\$ 1,021,598
Total net debt applicable to limit	205,473	309,218	295,983	294,953	279,857	261,274	280,152	257,645	273,840	251,130
Legal debt margin	\$ 742,039	\$ 809,152	\$ 861,479	\$ 872,499	\$ 863,052	\$ 840,762	\$ 777,128	\$ 767,436	\$ 744,399	\$ 770,468
Total net debt applicable to the limit as a percentage of debt limit	21.69 %	27.65 %	25.57 %	25.26 %	24.49 %	23.71 %	26.50 %	25.13 %	26.89 %	24.58 %

Legal Debt Margin Calculation for current Fiscal Year: 2016

Assessed value	\$ 10,215,976
Debt limit (10% of total assessed value)	1,021,598
Debt applicable to limit:	
General obligation debt	<u>251,130</u>
Total net debt applicable to limit:	<u>251,130</u>
Legal debt margin	<u>\$ 770,468</u>

Notes:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase of contracts, accrued sick and annual leave, net pension obligation, net OPEB obligation and net pension liability totaling \$204,212,913 at June 30, 2016.

*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							
2007	\$ 1,571	\$ 1,090	\$ 481	\$ 230	\$ 103	\$ 333	1.44
2008	1,676	1,164	512	240	89	329	1.56
2009	1,570	1,143	427	250	74	324	1.32
2010	1,426	1,037	389	260	59	319	1.22
2011	1,526	1,072	454	270	43	313	1.45
2012	1,534	1,033	501	285	26	311	1.61
2013	1,200	1,194	6	295	9	304	0.02
Museum Revenue Bonds							
2007	\$ 9,682	\$ 5,729	\$ 3,953	\$ 1,185	\$ 403	\$ 1,588	2.49
2008	8,025	6,130	1,895	1,210	365	1,575	1.20
2009	7,368	5,561	1,807	1,240	351	1,591	1.14
2010	7,193	5,456	1,737	1,290	301	1,591	1.09
2011	7,405	5,299	2,106	1,330	238	1,568	1.34
2012	5,224	3,963	1,261	1,370	182	1,552	0.81
2013	4,730	3,468	1,262	1,440	112	1,552	0.81
2014	4,412	3,084	1,328	1,515	38	1,553	0.86

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

Fiscal Year	Gross Revenues(1)	Operating Expenses(2)	Net Revenue Available for Debt Service	Debt Service Requirements(3)			Coverage
				Principal	Interest	Total	
Economic Development Authority Revenue Bonds							
2007	\$ 5,007	\$ 4,420	\$ 587	\$ 392	\$ 693	\$ 1,085	0.54
2008	3,456	3,166	290	417	561	978	0.30
2009	6,940	4,126	2,814	445	528	973	2.89
2010	5,066	4,420	646	475	501	976	0.66
2011	2,568	2,813	(245)	505	470	975	(0.25)
2012	2,248	1,601	647	537	453	990	0.65
2013	2,244	3,555	(1,311)	570	402	972	(1.35)
2014	3,401	2,343	1,058	607	364	971	1.09
2015	3,585	3,145	440	646	324	970	0.45
2016	5,888	4,454	1,434	729	283	1,012	1.42
Convention Center Revenue Bonds(4)							
2007	\$ 9,288	\$ 2,993	\$ 6,295	\$	\$ 5,363	\$ 5,363	1.17
2008	9,989	3,885	6,104		5,335	5,335	1.14
2009	8,626	3,092	5,534		5,362	5,362	1.03
2010	8,625	2,859	5,766		5,363	5,363	1.08
2011	10,535	3,371	7,164	2,155	4,151	6,306	1.14
2012	9,698	3,931	5,767	2,265	3,371	5,636	1.02
2013	10,698	3,262	7,436	2,340	4,432	6,772	1.10
2014	10,647	3,359	7,288	2,245	4,218	6,463	1.13
2015	10,714	3,470	7,244	2,325	4,123	6,448	1.12
2016	10,533	3,370	7,163	2,555	4,010	6,565	1.09

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
2007	140,222	\$ 4,787,045	\$ 34,139	22,176	3.6%
2008	138,957	4,871,133	35,055	21,189	4.9%
2009	137,833	4,927,720	35,751	21,411	8.2%
2010	137,416	4,997,315	36,366	20,804	8.6%
2011	136,435	5,149,697	37,745	20,762	8.0%
2012	136,843	5,232,569	38,238	21,622	7.8%
2013	136,948	5,283,439	38,580	21,366	7.1%
2014	136,879	5,435,010	39,707	21,113	6.7%
2015	138,545	N/A	N/A	19,854	6.3%
2016	138,626	N/A	N/A	20,698	5.4%

Notes:

¹Source: Weldon Cooper Center for Public Service as of July 1, 2015.

²Source: Bureau of Economic Analysis. Most recent information available is 2014.

³Source: Bureau of Economic Analysis. Most recent information available is 2014.

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**

2016	2007
Over 600 Employees	500+ Employees
City of Hampton	Air Force Command and Control Intelligence, Surveillance, and Reconnaissance Center
Commonwealth of Virginia	Aloca Howmet
Department of Defense	City of Hampton
Hampton City School Board	Fort Monroe
Hampton Newport News Community Board	Hampton City Schools
Hampton University	Hampton University
Howmet Castings & Service Inc.	Hampton Virginia Medical Center-Veteran's Hospital
National Aeronautics/Space Administration	Langley Air Force Base
Riverside Regional Medical Center	NASA Langley Research Center
Sentara Health Systems	Sentara Healthcare System
Veterans Affairs	Sprint-Nextel
	Thomas Nelson Community College
	Verizon
200-599 Employees:	300-499 Employees:
Analytical Mechanics Associates	AMSEC LLC
Army & Air Force Exchange	Headway Corporate Resources
Association for Retarded Inc.	Northrop Grumman
Bass Pro Outdoor World LLC	Raytheon
Cobb Theatres IV, LLC	Riverside Regional Medical Centers
Farm Fresh LLC	SAIC
Jacobs Technology	Teletech
Main Industries	
Measurement Specialties Inc.	
Peninsula Metropolitan YMCA	
SIJ LTD	
ScribeAmerica LLC	

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
General government	588	578	588	588	574	562	574	568	577	574
Public safety	695	707	695	645	649	663	688	697	704	706
Highway and streets	30	29	30	27	24	24	20	24	21	19
Sanitation	41	47	48	47	46	51	49	54	56	61
Health	24	22	22	22	16	16	19	20	20	16
Human services	242	245	232	236	225	229	229	228	234	233
Culture and recreation	172	167	159	137	128	123	128	123	126	130
Total Governmental activities	1,792	1,795	1,774	1,702	1,662	1,668	1,707	1,714	1,738	1,739
Business-type activities										
Culture and recreation	45	44	38	37	36	37	32	35	32	36
Sanitation	152	146	147	140	143	141	142	138	126	135
Housing ¹	68									
Total Business-type activities	265	190	185	177	179	178	174	173	158	171
Total	2,057	1,985	1,959	1,879	1,841	1,846	1,881	1,887	1,896	1,910

Sources: City of Hampton, Department of Human Resources

Notes:

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

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

Function/Program	2007	2008	2009	2010	2011
General government					
Building permits issued	3,509	3,167	2,241	2,195	2,123
Building inspections conducted	9,349	9,459	7,853	6,988	6,131
311 customer call center					
	242,158	191,727	170,971	168,492	148,351
Public safety					
Police					
Physical arrests	20,071	22,626	18,711	12,621	16,886
Traffic summons	30,321	34,334	34,781	30,121	30,225
Fire					
Emergency responses	21,592	22,928	22,651	22,271	22,394
Fires extinguished	332	168	278	378	450
Patients transported	7,678	12,105	12,015	12,133	11,620
Code inspections	740	1,553	2,165	2,572	2,210
Highway and streets					
Roads paved or resurfaced (miles)	15	22	28	106	69
Sanitation					
Yard waste collected (tons)	13,000	10,240	14,160	14,106	11,965
Debris removed (tons)	84,000	104,236	109,204	113,234	114,773
Cleanups	417	366	935	518	819
Street sweeping	3,060	2,689	3,339	3,231	3,364
Storm drains cleaned (linear feet)	99,913	71,619	76,202	97,046	73,901
Health					
Preventive health					
Family practice visits (closed 3/31/11)	3,522	3,183	2,602	2,755	1,615
Immunization visits	6,201	5,485	5,794	7,053	6,511
Prescriptions filled (closed 5/25/10)	34,296	30,739	26,103	22,786	-
Human services					
Healthy families partnership					
Number of families assessed	610	525	617	567	590
Number of families served	1,183	1,079	888	1,026	930
Number of adult participants in the parenting classes	1,602	1,595	1,430	1,242	1,875
Social Services					
Food stamp participants	5,384	5,365	6,027	8,040	8,939
Culture and recreation					
Senior citizens attendance at Senior Center	27,338	28,021	17,047	13,730	12,985
Community center admissions					
Youth	60,602	63,632	67,421	82,134	13,512
Teen	65,888	67,535	49,802	37,359	15,033
Adult	79,124	80,706	94,481	113,178	135,786
Education					
School membership (total)					
High schools	6,657	6,659	6,494	6,784	6,749
Middle schools	5,433	5,156	4,837	4,743	6,837
Elementary schools	10,086	9,374	10,080	9,277	7,849
Combined schools	-	-	-	-	2,327
School board personnel	2,902	2,866	3,194	3,138	2,992
Wastewater					
Average daily sewage treatment (thousands of gallons)	11,600	11,300	11,410	10,566	10,794

Function/Program	2012	2013	2014	2015	2016
General government					
Building permits issued	2,162	2,111	1,564	1,281	1,107
Building inspections conducted	7,021	8,029	4,602	4,520	4,421
311 customer call center	147,458	148,988	141,891	130,387	164,878
Public safety					
Police					
Physical arrests	16,733	10,035	9,067	14,862	14,073
Traffic summons	30,459	29,007	29,080	21,391	20,795
Fire					
Emergency responses	23,718	23,808	24,815	26,149	27,541
Fires extinguished	320	319	331	491	531
Patients transported	12,149	13,665	14,262	14,910	14,228
Code inspections	2,658	839	3,223	2,146	2,909
Highway and streets					
Roads paved or resurfaced (miles)	68	88	21	26	22
Sanitation					
Yard waste collected (tons)	15,244	13,326	12,896	9,762	9,761
Debris removed (tons)	155,011	122,317	58,223	59,422	62,173
Cleanups	764	840	817	891	991
Street sweeping	3,384	3,384	4,607	2,583	1,445
Storm drains cleaned (linear feet)	109,767	153,605	57,064	49,550	61,845
Health					
Preventive health					
Family practice visits (closed 3/31/11)	-	-	-	N/A	N/A
Immunization visits	6,948	6,725	5,342	3,394	3,260
Prescriptions filled (closed 5/25/10)	-	-	N/A	N/A	N/A
Human services					
Healthy families partnership					
Number of families assessed	760	689	547	527	421
Number of families served	979	958	908	948	856
Number of adult participants in the parenting classes	2,585	2,850	2,327	2,487	3,140
Social Services					
Food stamp participants	10,372	11,048	11,101	9,824	20,447
Culture and recreation					
Senior citizens attendance at Senior Center	13,050	12,997	10,449	15,046	16,681
Community center admissions					
Youth	55,558	55,873	51,901	51,422	51,968
Teen	20,369	22,340	43,133	42,254	24,086
Adult	80,605	80,685	77,345	78,844	56,829
Education					
School membership (total)	21,622	21,366	21,113	19,854	20,698
High schools	6,781	6,516	6,218	6,066	6,197
Middle schools	4,069	3,975	3,934	3,710	3,775
Elementary schools	9,876	9,885	8,319	7,667	8,562
Combined schools	896	990	2,642	2,410	2,164
School board personnel	2,821	2,980	2,835	2,543	2,507
Wastewater					
Average daily sewage treatment (thousands of gallons)	10,460	14,890	14,390	14,450	14,800

Source: Various city departments.

N/A - Not available

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Police										
Patrol units	246	254	278	272	195	211	211	225	253	257
Patrol boats	4	2	3	4	3	5	5	5	5	6
Fire										
Stations	10	10	10	10	10	11	11	11	11	11
Pumpers	19	19	19	19	18	18	14	16	17	17
Ambulances	17	18	18	18	17	17	16	16	15	15
Rescue Vehicles	3	3	3	3	3	3	3	2	-	-
Ladder trucks	2	2	2	2	4	4	6	5	5	5
Fire Boats			2	2	4	4	2	2	2	2
Highways and streets										
Streets (miles)	439	446	459	455	460	475	482	497	486	486
Traffic signals	177	181	179	180	180	185	185	187	186	189
Bridges	41	40	40	40	40	40	40	40	40	39
Sanitation/solid waste										
Collection trucks	43	48	49	56	56	58	58	58	58	57
Culture and recreation										
Parks acreage ⁽¹⁾	1,789	1,789	1,791	1,791	1,791	1,791	1,791	1,791	1,791	1,791
School parks acreage	675	675	751	751	751	751	751	751	751	751
Parks	23	23	23	23	23	23	23	23	23	23
Amphitheater	2	2	2	2	2	2	2	2	2	1
Baseball fields	38	38	38	39	39	39	41	42	42	42
Basketball courts	35	35	35	35	35	36	36	36	36	36
Boat ramps	3	3	3	3	3	3	3	3	3	3
Coliseum	1	1	1	1	1	1	1	1	1	1
Community centers	5	5	5	5	5	6	6	7	7	7
Convention center	1	1	1	1	1	1	1	1	1	1
Fitness trails	12	12	12	12	12	12	12	12	12	13
Football fields	20	20	20	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	1	1	2	2	2	3	3	3	3	2
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal parks	10	10	11	11	11	11	11	11	11	11
Museums	2	2	2	2	2	2	2	2	2	2
Outreach centers	4	4	4	4	4	4	4	4	4	4
Picnic shelters	26	26	26	26	26	26	26	27	27	28
Playgrounds	41	41	40	46	46	46	46	46	46	43
Senior citizens center	1	1	1	1	1	1	1	1	1	1
Soccer fields	30	30	30	33	33	33	33	33	33	33
Softball fields	16	16	17	17	17	17	17	17	17	17
Tennis courts	66	66	66	66	66	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
Education										
High schools	4	4	4	4	4	4	4	4	4	4
Middle schools	6	6	6	5	8	8	7	5	5	6
Elementary schools	23	23	23	20	20	20	20	24	19	19
Combined schools	-	-	-	-	-	2	2	2	2	2
Wastewater										
Sanitary sewer lines (miles)	482	469	469	469	426	426	426	490	497	572
Sewer Pumping stations	107	108	108	108	108	108	108	109	109	108

Notes:

(1) Park land currently developed.

N/A-Not available

Source: Various city departments.

N/A - Not available

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hampton, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

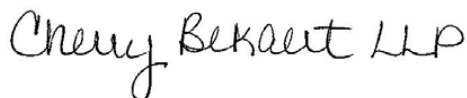
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-003 that we consider to be a significant deficiency.

The City's response in 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.



Virginia Beach, Virginia
November 30, 2016

**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, 2016, 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 30, 2016. That report included an emphasis paragraph indicating that the fund balance of the General Fund and the Governmental Activities' and Risk Management Funds' net position balances as of June 30, 2015 have been restated. Our report includes a reference to other auditors who audited the financial statements of the Downtown Hampton Development Partnership, Inc. as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Downtown Hampton Development Partnership, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described at 2016-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

Compliance and Other Matters

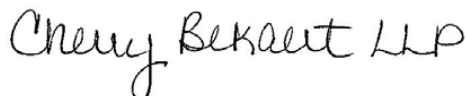
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and one instance of noncompliance that is required to be reported under the *Specifications for Audits of Counties, Cities and Towns*, which are described in the accompanying schedule of findings and questioned costs as item 2016-004.

City of Hampton, Virginia's Response 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 the responses.

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 Bekart LLP".

Virginia Beach, Virginia
November 30, 2016

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

Year Ended June 30, 2016

A. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified:	Yes
Noncompliance material to the financial statements noted?	No

Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified:	Yes
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major federal programs:

<u>Program Description</u>	<u>CFDA #</u>
U.S. Department of Agriculture Food and Nutrition Service State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
U.S. Department of Education Office of Special Education and Rehabilitative Services Special Education Cluster (IDEA)	84.027/84.173
U.S. Department of Education Office of Elementary and Secondary Education Supporting Effective Instruction State Grant	84.367
Department of Health and Human Services Administration for Children and Families Adoption Assistance	93.659
Social Services Block Grant	93.667
Department of Housing and Urban Development Office of Community Planning and Redevelopment Community Development Block Grant Program, Entitlement Grant	14.218
National Aeronautics and Space Administration NASA Steam Plant	43.Unknown
U.S. Department of Agriculture Child Nutrition Cluster	10.553/10.555/10.556/10.559

A. Summary of Auditor’s Results (continued)

Dollar threshold to distinguish between Types A and B Programs:	\$1,436,336
The City of Hampton was qualified as a low risk auditee?	No

B. Findings – Financial Audit

2016-001 Significant Deficiency – Accounting and Reporting

Criteria:

All expenditures should be recorded in the correct period.

Statement of Condition:

During the current year, an invoice in the amount of \$54,316 was not properly accrued as of year-end to the Wastewater Management fund.

Cause:

The total of the invoice was under the threshold set by the City for accrual at year-end.

Effect or Potential Effect:

Because of the adjustment, the financial statements were misstated.

Recommendation:

We recommend management set lower thresholds to verify expenditures are appropriately accrued at year-end.

Views of Responsible Officials:

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

As a part of the year-end close of the City’s accounting records, we required departments to enter all of their invoices for the fiscal year 2016 by July 21, 2016. Some vendors did not submit their invoices to the departments prior to the invoice processing due date. The Finance Department staff reviewed the fiscal year 2017 check registers to identify expenditures that potentially should have been recorded in the fiscal year 2016. Based on the fund, we used a threshold amount, provided by our current Auditor, to determine if the expenditure was significant, and therefore should be moved from the fiscal year 2017 to the fiscal year 2016.

The Auditor discovered one invoice for the Waste Management Fund for \$54,316 that had not been recorded in the fiscal year 2016. We did not record this invoice because it did not meet or exceed the \$60,000 threshold amount. This expenditure represented less than 1% of total expenditures for this fund.

Commencing with the fiscal year 2017 audit, we will revise our year-end procedures to include lower threshold amounts, based on a percentage of total expenditures, for determining which expenditures should be recorded as accounts payable in the current fiscal year.

C. Findings and Questioned Costs - Major Federal Awards

2016-002 Non Material and Non Compliance – Reporting

Program:

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

Criteria:

Per Part 4 of the June 2016 Compliance Supplement, grantees are responsible completing and submitting the C04PR03 (Activity Summary Report) and the C04PR26 (CDBG Financial Summary) reports within 90 days after the end of the grantee's program year on an annual basis.

Statement of Condition:

The City failed to submit the necessary reports within 90 days after the end of the program year.

Perspective Information:

The C04PR03 and C04PR26 reports were selected for testing. Both reports were completed; however, they were completed after the 90 day period. The C04PR03 was submitted to the HUD after the 90 day period, but the C04PR26 was never submitted to the HUD.

Cause:

Due to turnover in staff and hiring a new employee during the current year.

Effect or Potential Effect:

Reporting requirements are not met by the City

Questioned Costs:

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

Recommendation:

We recommend management ensure that all reports are completed and submitted to the HUD within the 90 days after the program year.

Views of Responsible Officials:

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

For fiscal year 2016, the Department of Housing and Urban Development (HUD) required the City to submit the Consolidated Annual Performance and Evaluation Report (CAPER) via an online process. The new Integrated Disbursements and Information System (IDIS) CAPER template did not allow for the C04PR03 and C04PR26 reports to be uploaded. Therefore, staff did not include these two reports, because it appeared that these documents were not required under the new reporting system. After the CAPER was filed, HUD Field Office staff contacted the Community Development Department (CDD) staff to request the C04PR26 report and we submitted this report to them. Since HUD staff did not request a copy of the C04PR03 report, we did not file this report.

The CDD staff will electronically file the C04PR03 and C04PR26 reports along with the submission of the CAPER by the required deadline for the 2017 reports. In addition, we will add the reporting requirements to our annual reporting checklist.

2016-003 Non Material, Non Compliance and Significant Deficiency – Subrecipient Monitoring (Repeat Finding)

Program:

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

Criteria:

In accordance with 2 CFR sections 200.330, 331, and .501(h), grantees must monitor subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved.

Statement of Condition:

During fiscal year 2016, the City demonstrated some but not all required monitoring activities over the following areas:

- Annual audit of the sub-recipient
- Submission of HUD 60002 report, if applicable
- Program income
- Environmental reviews and rehabilitation requirements

Perspective Information:

Based on testing perform, review of support, and discussions with the staff responsible for subrecipient monitoring, we noted that there were no specific guidelines or standards set by the City to monitor the subrecipient's compliance with all requirements, including program income, reporting, and special tests and provisions.

Cause:

Due to personnel turnover and change in staff, the required subrecipient monitoring was not properly implemented and executed.

Effect or Potential Effect:

The subrecipient could potentially be noncompliant.

Questioned Costs:

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

Recommendation:

We recommend management create an annual checklist to help aid subrecipient monitoring. We also recommend that the agreement between the City and subrecipient list out specific details that describes the subrecipient's responsibility.

Views of Responsible Officials:

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

We strongly disagree with the Auditor's comment that the City failed to demonstrate required monitoring activities during fiscal year 2016.

Although we did not have a formal checklist for conducting subrecipient monitoring, we conducted the following monitoring activities for the subrecipient Hampton Redevelopment and Housing Authority (HRHA) during fiscal year 2016:

- 1) We evaluated the subrecipient's risk of non-compliance by completing the City's Subrecipient Risk Assessment Matrix form.
- 2) Of the 30 properties rehabbed, acquired or demolished by HRHA, City staff reviewed four of these files. The files were reviewed for evidence of program eligibility and project completion. There were no significant discrepancies found within the files.
- 3) The Site Acquisition Review Committee, comprised of City Codes, Neighborhood, Planning, Public Works, Economic Development and City Attorney staff, reviewed and approved 75 properties acquired by HRHA with CDBG and/or Home funds. In addition, 12 properties purchased with CDBG and/or Home funds were approved for demolition of the structure on the property by HRHA.
- 4) HRHA submitted timesheets bi-annually to the City for their staff. City staff reviewed the timesheets to ensure the time and amount charged for each staff member was reasonable and was captured under the correct CDBG eligible activities.
- 5) For each expenditure reimbursement submitted by HRHA to the City, City staff reviewed the information to ensure the cost was allowable, the documentation supported the amount requested and that there were funds available to process the request for reimbursement. In addition, all reimbursement requests were reviewed and approved by a second reviewer.
- 6) The program goals and performance measures established for the subrecipient were reviewed and monitored in concert with the submissions of the CDBG application, CDBG Annual Plan and CAPER.
- 7) City staff attended the monthly HRHA Board meetings and were available for the discussions on the audit, financial and performance reports. The HRHA audit report was reviewed by City staff to identify any deficiencies in the report.
- 8) City staff attended HRHA development celebrations (ground breakings, ribbon cuttings, open houses, etc.), to discuss the project progress with HRHA field staff.

The City was monitored by the HUD field office in 2014 and 2015 for programmatic activities and the City's financial processes and reports. During each review, HUD monitored both HRHA and City files related to CDBG and Home programs. No significant findings were reported by HUD for this period.

We will create a comprehensive subrecipient monitoring checklist by March 30, 2017. In addition, we will maintain a file of all the monitoring activities conducted during the fiscal year.

We currently have a subrecipient agreement with HRHA that details the responsibilities of each party. This agreement is very comprehensive and is consistent with other Cities' subrecipient agreements. Therefore, we believe that our current agreement is already in compliance with the auditor's recommendation to list out specific details that describes the subrecipient's responsibility.

D. Findings and Questioned Costs – Commonwealth of Virginia Compliance

2016-004 Nonmaterial Noncompliance – Conflict of Interest

Criteria:

In accordance with Section 2.2-3115 of the Code of Virginia, certain local officials must file semi-annual disclosure forms with the following filing deadlines: December 15, 2015 for May 2015 – October 2015 and June 15, 2016 for November 2015 – April 2016.

Statement of Condition:

An elected official's Statement of Economic Interest was filed with the City after the December 15, 2015 deadline.

Perspective Information:

Out of a sample of 22 individuals, there was 1 instance where the Statement of Economic Interest was not filed timely.

Cause:

The individual left early the day the form was required to be filed due to illness and forgot to submit the form. The form was filed the very next day.

Effect or Potential Effect:

Civil penalty in an amount equal to \$250.

Questioned Costs:

Non-financial finding.

Recommendation:

We recommend that the City send timely reminders to necessary individuals prior to the deadlines for the disclosure forms.

Views of Responsible Officials:

- **Contact Person:** Linda Smith, Clerk of Court
- **Corrective Action and Anticipated Completion Date:**

The Statement of Economic Interest was initially prepared and executed for filing on December 14, 2015. The mail run was missed that day, and the form was submitted the next day due to the responsible individual being ill on the date of the deadline. This action was simply an oversight.

E. Resolution of Prior Year's Findings

2015-001:

Status: Corrected

2015-002:

Status: Not corrected; current year finding noted at 2016-003.

2015-003:

Status: Corrected

2015-004:

Status: Corrected

2015-005:

Status: Corrected

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