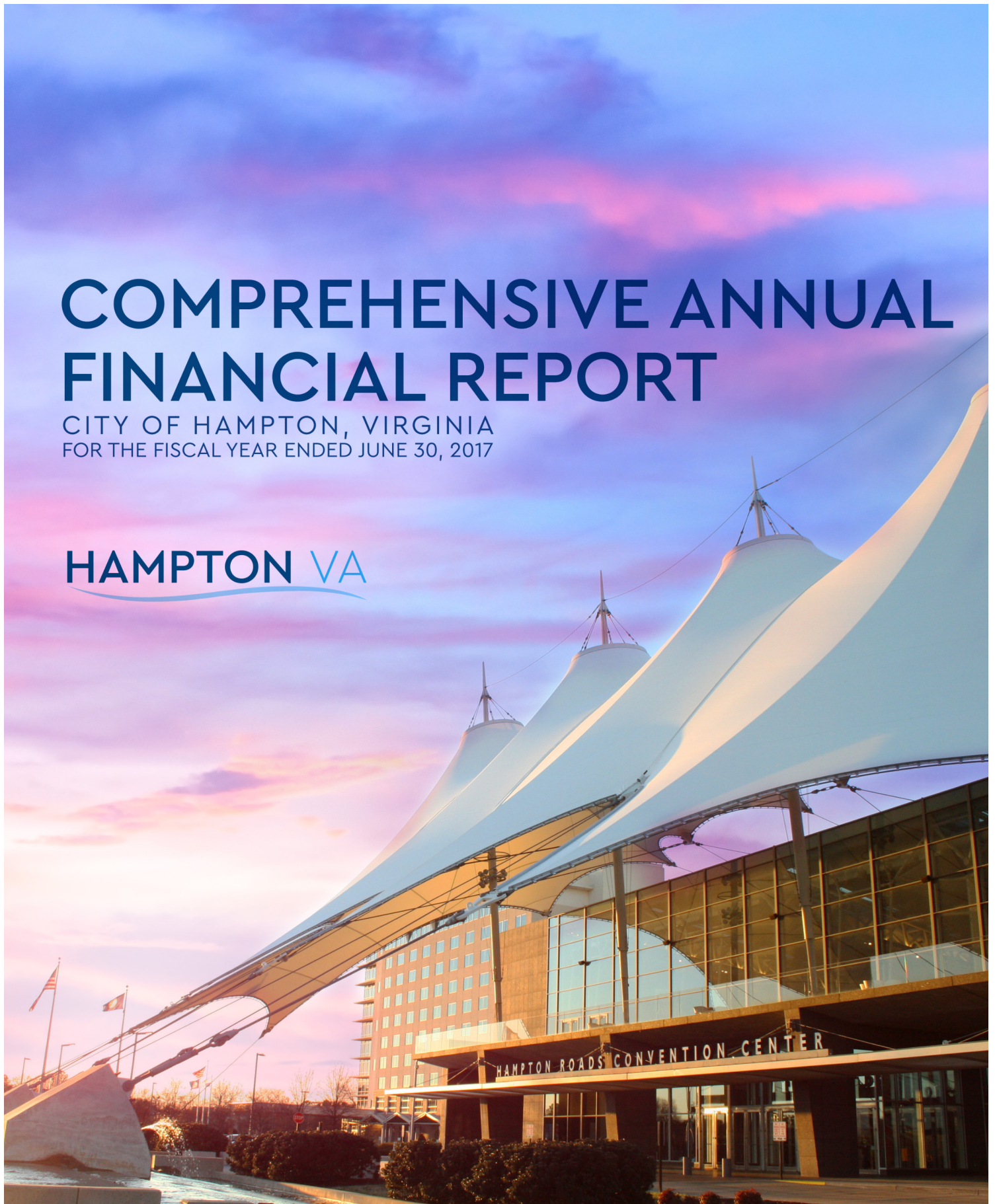


# COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF HAMPTON, VIRGINIA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

HAMPTON VA





IN MEMORY  
**CHANSAMONE MYNOYMAN Y SEARLES**  
March 1, 1971 – April 29, 2017  
General Accounting Manager  
City of Hampton Finance Department

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

**For the Fiscal Year Ended June 30, 2017**

Prepared by:

Karl S. Daughtrey, Director of Finance

Jacqueline Green, Deputy Director of Finance, Controller

and

The Department of Finance

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**CITY OF HAMPTON, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
June 30, 2017**

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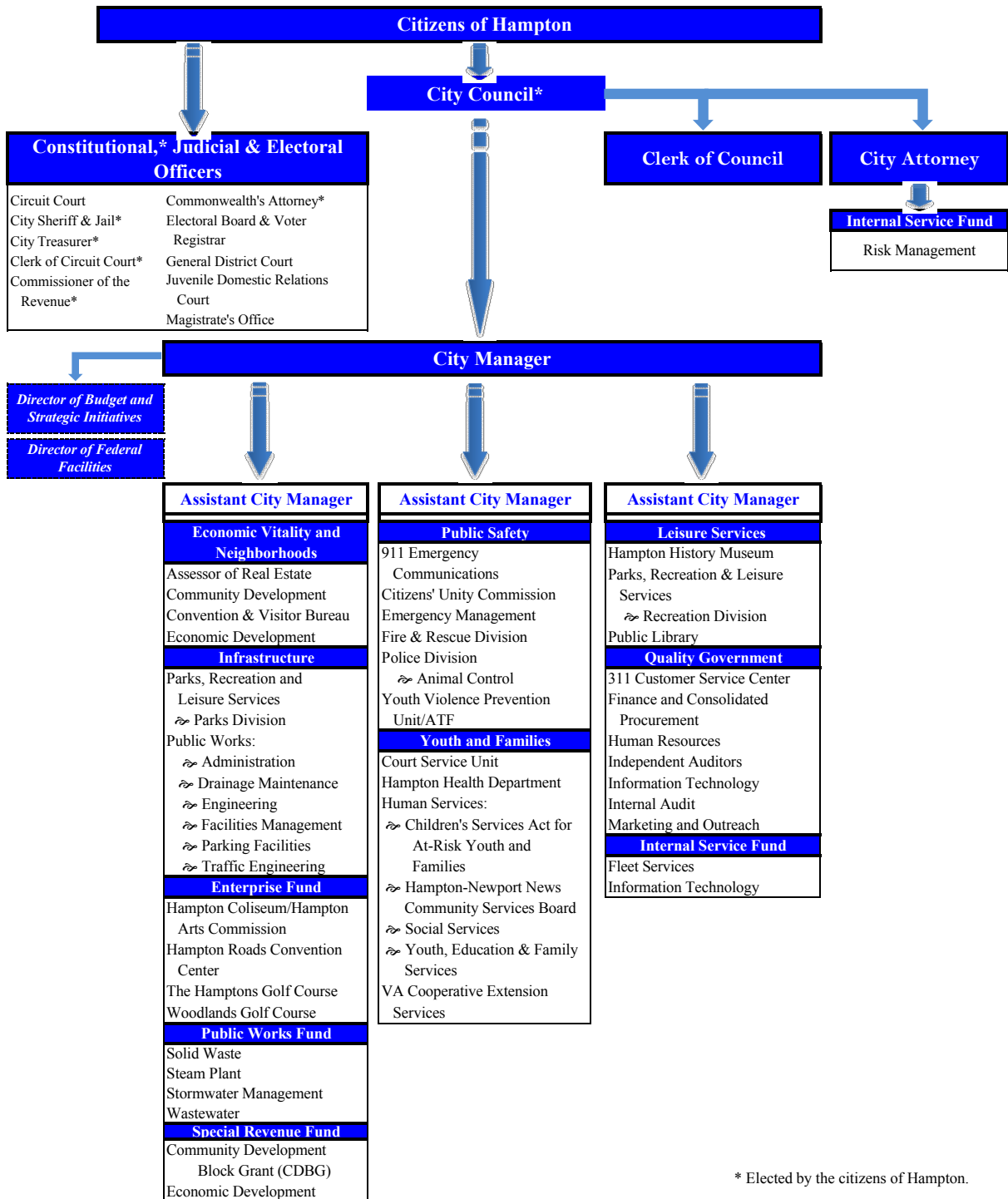
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# JUNE 30, 2017 ORGANIZATIONAL CHART



\* Elected by the citizens of Hampton.



**CITY OF HAMPTON, VIRGINIA**  
**June 30, 2017**

**ELECTED OFFICIALS**

**CITY COUNCIL**

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

**CONSTITUTIONAL OFFICERS**

Linda Batchelor Smith - Clerk of Courts  
Anton A. Bell - Commonwealth's Attorney  
Ross A. Mugler - Commissioner of the Revenue  
Lynne Fahnert - 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, 2017**

**SCHOOL BOARD**

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

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

**SCHOOL ADMINISTRATION**

Dr. Jeffery Smith - Superintendent  
Dr. John Caggiano - Deputy Superintendent for Curriculum and Instruction  
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  
Ann 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

**HAMPTON EMPLOYEES' RETIREMENT SYSTEM**

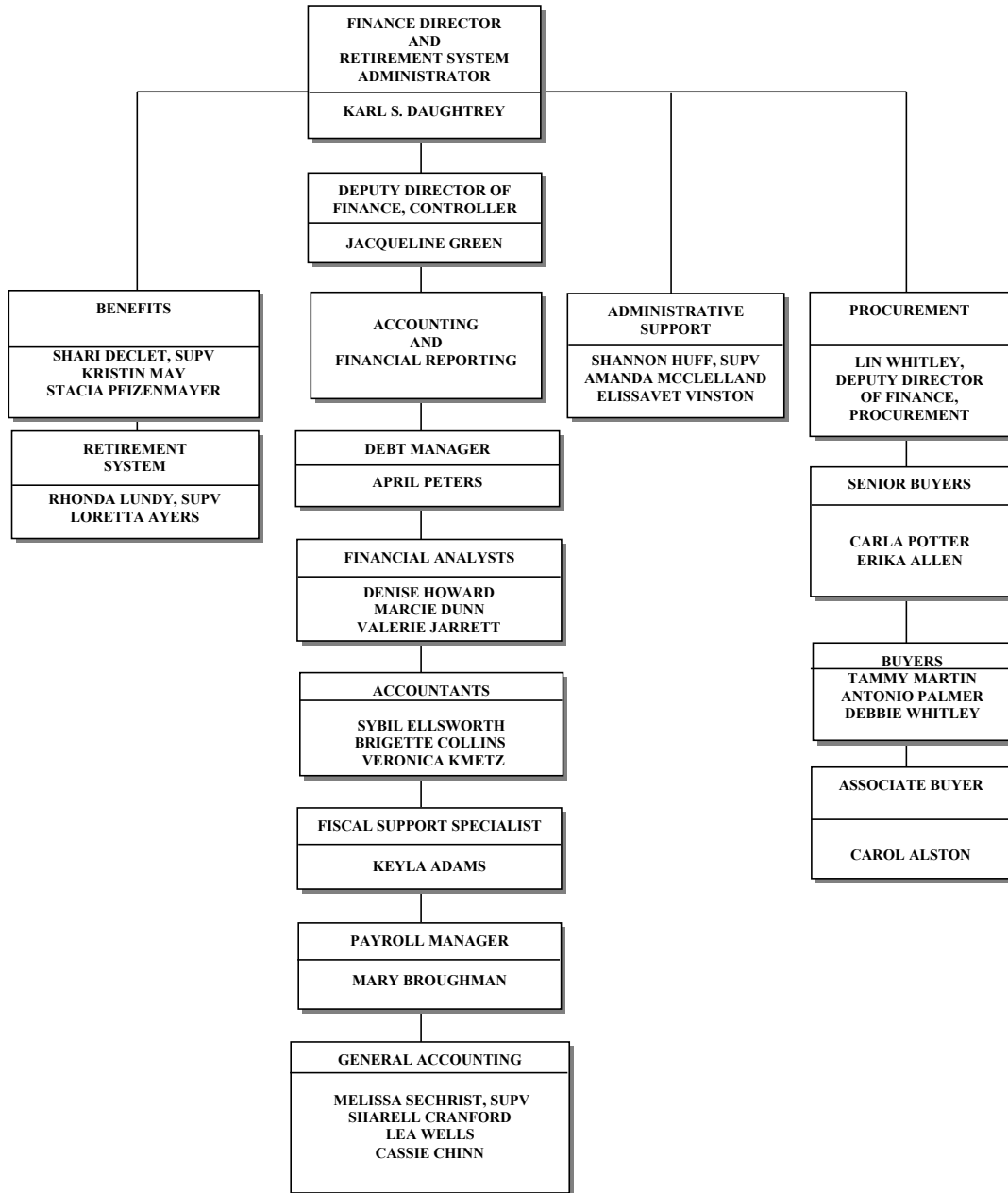
**BOARD OF TRUSTEES**

Andrew G. Womble, Jr., Chairman  
William H. Benson, Jr. Trustee  
Michael Monteith, Trustee  
Patricia A. McFadden, Trustee

James A. Peterson, Vice Chairman  
James T. Wilson, Trustee  
Suzanna Scott, Trustee  
Dr. Martha Milo-Avery, Trustee

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

**CITY OF HAMPTON, VIRGINIA  
DEPARTMENT OF FINANCE  
June 30, 2017**



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November 30, 2017

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, 2017. State law requires the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with *Government Auditing Standards* by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and the report does comply with state law and guidelines of the Auditor of Public Accounts of the Commonwealth of Virginia.

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

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

State law requires that the financial statements of the City be audited by a certified public accountant. Cherry Bekaert LLP, Certified Public Accountants, have audited the City's financial statements. As a result of an audit of the City's financial records and transactions of all funds, component units and departments of the City, Cherry Bekaert LLP has concluded that the financial statements are presented fairly in all material respects, in accordance with GAAP and have issued an unmodified opinion on the City's financial statements for the year ended June 30, 2017. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the City

Background

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

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

As of July 1, 2016, current estimated population in Hampton was 137,492.

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 2017, 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 FY17 Budget document.
- For the fifteenth time Hampton was named as one of the most technologically-advanced cities in the nation by the Center for Digital Government. The survey focuses on results achieved by cities through the use of technology in operating efficiencies, realizing strategic objectives, innovative or creative solutions or approaches, effective collaboration and transparency measures.

#### Budgetary Systems

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

#### Component Units

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

## Economic Conditions and Outlook

### Local Economy

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

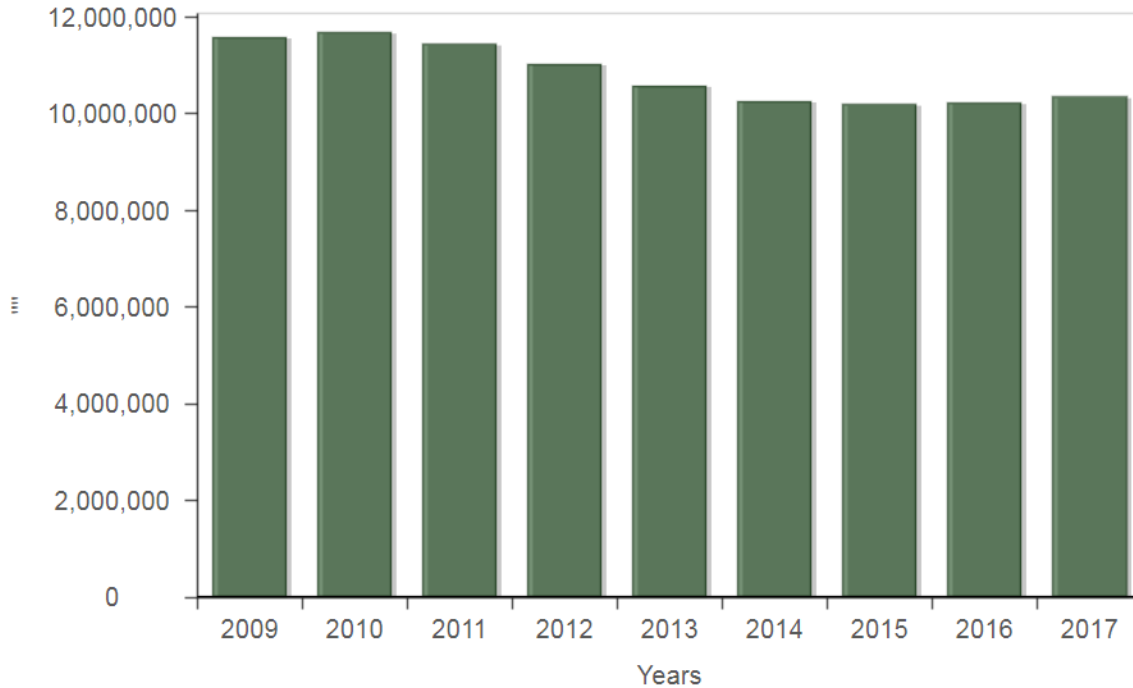
The City's strategic location and economic development activities offer its residential civilian labor force a wide range of employment opportunities. Hampton businesses draw from the largest regional workforce between Washington, D.C. and Atlanta, with over 830,400 highly educated, skilled, and technically trained workers. Each year, over 8,000 trained and disciplined personnel exit the military. Many of these persons elect to stay in the area and look for private sector employment, and there are over 30,000 military spouses available to work. In addition, there are almost 97,000 students attending the region's eight universities and four community colleges with an estimated 14,000 graduates per year.

The effects of the economic downturn continue to impact the national, state, and regional economies. However, Hampton Roads is continuing to gradually recover with the region's economy, as measured by Gross Regional Product, expanding at a rate of 1.41% percent in 2017. 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 4.5% from 2015 to 2016, while growth in the tourism industry has been solid with local hotel revenue. The region's unemployment rate has come down from 4.5% to 3.6%, compared to the national rate of 4.1%. Hampton's unemployment rate has decreased to 5.1% as of June 30, 2017 versus 5.4% last year.

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

It also appears that the real estate market is beginning to stabilize after years of decline. For the third 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

Some of the City's business expansions and new businesses that located to Hampton in Fiscal Year 2017 are listed below:

- T Peninsula Hotel, LLC will construct a new Element Hotel by Westin. An investment in the amount of \$11.3 million will fund the construction of the 78,800 square foot hotel. It will add 120 new rooms to the City's hotel room inventory.
- Marina Hotel, LLC has purchased and will remodel the existing Crown Plaza Hotel. The property will be reflagged as a Tapestry Collection by Hilton hotel. An investment in the amount of \$12.1 million will fund the acquisition and renovation of the 129,302 square foot facility.
- Hampton Lodging Partners, LLC will construct a new Hyatt Place hotel. An investment in the amount of \$11.2 million will fund the construction of the 72,935 square foot hotel. It will add 109 new rooms to the City's hotel room inventory.
- 504-520 N. King Street, LLC is renovating the historic National Guard Armory building. An investment in the amount of \$2.3 million will transform the 14,373 square foot building into a combination craft brewery, distillery, restaurant and entertainment venue.
- MAXIMUS, INC. leased 42,500 square feet in the Net Center Office Building. After leasing the building the company invested \$1.8 million and created 189 new jobs establishing a professional services center.
- An unnamed company leased a 100,632 square foot building in Hampton Roads Center Central Campus, invested \$1.7 million and created 645 new jobs to establish a professional services center.



- Coliseum Square, LLC invested \$8.4 million to purchase and renovate an existing 42,990 square foot retail center in the Coliseum Central Business Improvement District.
- Craig Davis Properties is purchasing 10± acres of property from the Economic Development Authority of the City of Hampton to construct a mixed-use development in the Hampton Roads Center North Campus. The project will have 300 residential rental units valued at \$43 million.

#### Military, Federal Research Facility and Veterans Medical Center

Langley Air Force Base celebrated its 100th anniversary in 2016 as the oldest continuously serving active installation in the United States and headquarters for the Air Combat Command. It is also home to the U.S. Air Force's First Fighter Wing with one-third of the Nation's Air Superiority Fighter Aircraft, the F-22 Raptors stationed on the installation along with two intelligence, surveillance and reconnaissance organizations. Covering 2,900 acres, Langley has more than 14,747 military personnel and approximately 6,218 civilian employees with a combined payroll of over \$1.5 billion. The combined Joint Base Langley Air Force Base, Hampton and Ft Eustis, Newport News total fiscal year 2016 economic impact to the region was \$2.1 billion.

The National Aeronautics and Space Administration's NASA Research Center is located in Hampton adjacent to Langley Joint Base Langley-Eustis. The Center is an important national resource serving inherent government functions such as aeronautics, science, space technology, human space exploration, climate research and the air transportation system. In 2017, NASA Research Center celebrated its 100<sup>th</sup> year anniversary of excellence in aerospace. According to the "Countdown to a New Century", a report published by NASA Research Center in 2016, NASA's economic impact on Virginia was nearly \$1.2 billion supporting 7,368 jobs. Its impact on the Hampton Roads region was \$1 billion supporting 6,515 jobs. The Virginia Air and Space Center, located in downtown Hampton, proudly serves as the official welcome center for NASA Langley.

The Hampton Veterans Affairs Medical Center (HVAMC) is located on an 86 acre campus along the historic banks of the Chesapeake Bay and next to Hampton University. The HVAMC is a world class facility with highly skilled and compassionate staff. The medical center is a leader in technology and innovation providing health care services to veterans in southeastern Virginia and northeastern North Carolina. The HVAMC is a tertiary care, Complexity Level 2 hospital. HVAMC provides comprehensive primary and specialty care in medicine, surgery and psychiatry. The Medical Center is geographically positioned among one of the largest Department of Defense (DOD) active duty and military retiree populations in the United States. The HVAMC has over 1,850 employees and an annual operating budget of \$350 million.

#### 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)
	2017	2016	
<b>Revenues and Other Financing Sources:</b>			
General Fund	\$328,438	\$326,862	0.48
School Operating	<u>126,583*</u>	<u>124,057*</u>	<u>2.04</u>
Total	<u>455,021</u>	<u>450,919</u>	<u>0.91</u>
<b>Expenditures and Other Financing Uses:</b>			
General Fund	256,924*	253,892*	1.19
School Operating	<u>198,782*</u>	<u>195,295*</u>	<u>1.79</u>
Total	<u>(455,706)</u>	<u>(449,187)</u>	<u>1.45</u>
Net change to fund balance	<u>\$(685)</u>	<u>\$1,732</u>	

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

The General Fund revenues and other financing sources increased by approximately \$1.6 million or 0.48% when compared to fiscal year 2016. Real property tax collections increased by approximately \$1.6 million over the previous fiscal year as a result of a modest growth in assessments. Personal property tax revenues also increased by \$.36 million or 1.5%. New restaurant openings have impacted meal taxes which increased \$.29 million over previous year's collection. Revenues from use of money and property increased by \$.215 million or 38% compared to fiscal year 2016, due to interest income earned on City cash and investments exceeding budget by \$.392 million. This variance is directly related to the Federal Reserve increasing the federal funds rate in December 2016, March 2017 and June 2017. In the other local taxes category, revenues decreased by \$.53 million or 0.7%. Sales and use tax decreased \$.38 million over the previous fiscal year due to the closing of a major retail store combined with the continued acceleration of online shopping.

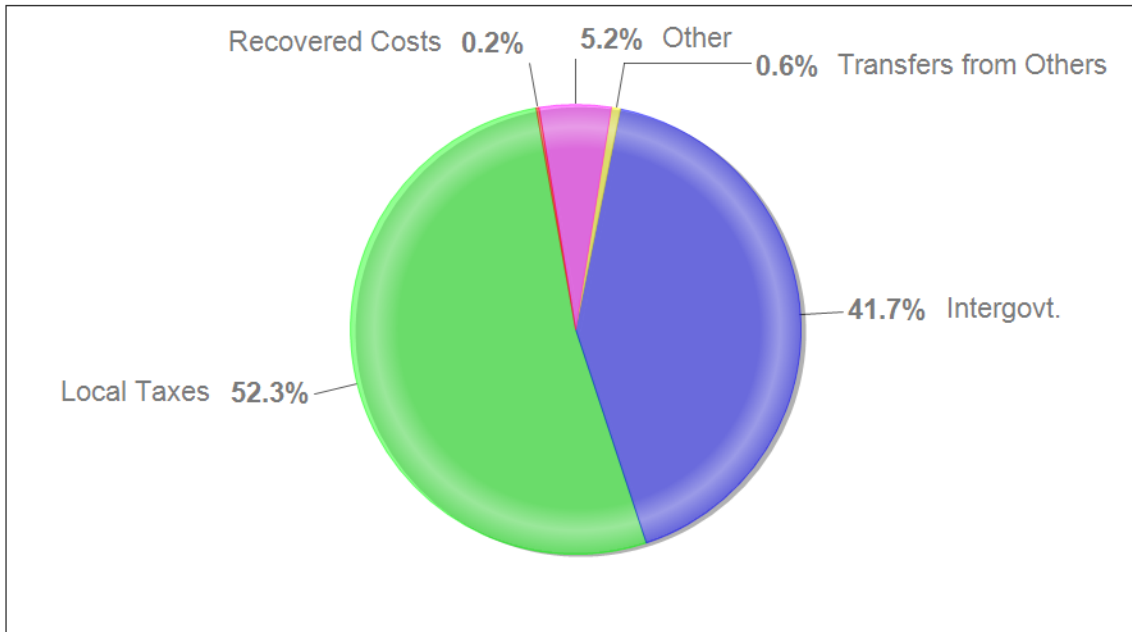
General Fund expenditures increased by approximately \$3 million or 1.19% when compared to fiscal year 2016 in the categories of public safety, human services and transfers to other funds. A general wage increase of 2% combined with a 1% increase for compression adjustments contributed to \$1.5 million of this increase. Transfers to the Capital Projects Fund increased by \$1.75 million due primarily to the purchase of a hotel and increased activity in drainage projects for Old Northampton.

The School Board Operating Fund revenues increased by approximately \$2.5 million or 2.03% over fiscal year 2016. State revenues reflected a net increase of \$2.6 million or 2% when compared to fiscal year 2016. This increase resulted from Basic Aid (\$.739 million), K-3 Primary Class (\$.771 million), Supplemental Lottery per Pupil (\$.738 million), Virginia Retirement System (\$.491 million), Remedial Education (\$.331 million), Remedial Summer School (\$.243 million), Virginia Public School Authority (\$.215 million), Sales Tax (\$.205 million) and a net of all other revenues (\$1.3 million). Federal revenue decreased in fiscal year 2017 by \$.18 million due primarily to decreases in Impact Aid. While the Local Contribution is not included in the overall increase to the Operating Fund, the City of Hampton increased their contribution to the School Board by \$.359 million between fiscal years.

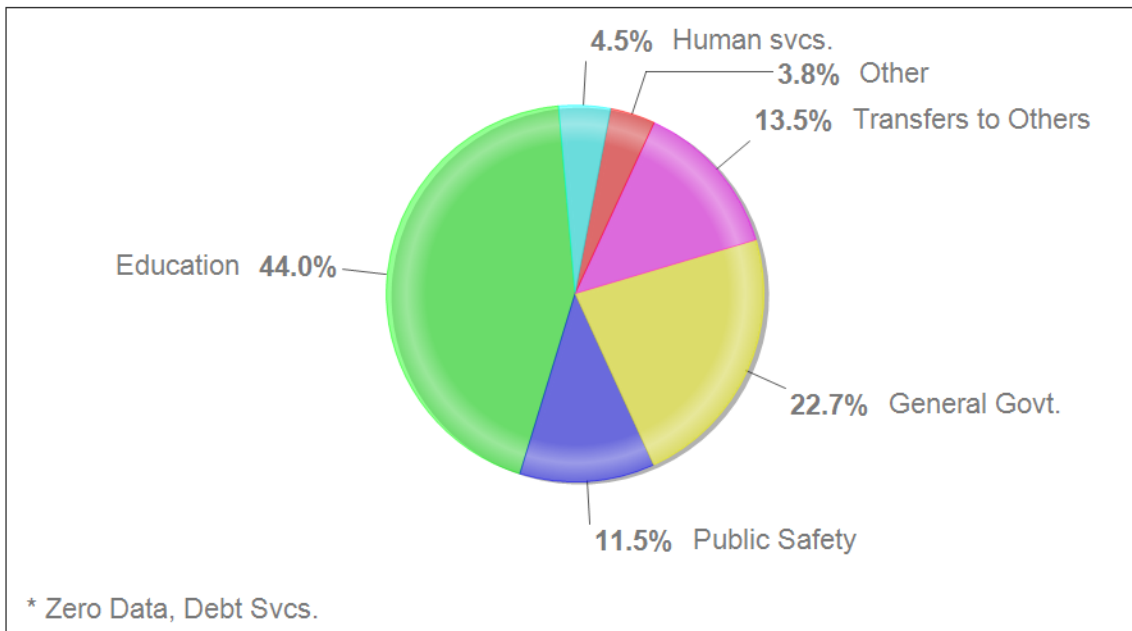
The School Board Operating Fund expenditures increased by \$3.5 million or 1.79% over fiscal year 2016 due mainly to an increase in spending for instruction (\$4.1 million), operation and maintenance (\$.634 million) and administration attendance and health (\$.357 million). Spending for instruction increased primarily due to a 2% increase in salaries and a 8% increase in health care costs in addition to the hiring of additional teachers to accommodate classroom instruction and class size. Expenditures for technology and public transportation decreased \$1.3 million and \$.505, respectively, when compared to fiscal year 2016. The decrease in technology expenditures was primarily due to a reduction in computer and iPad purchases. The decrease in public transportation expenditures is due to fewer bus purchases in fiscal year 2017.

The graphs of the 2017 General Fund and School Operating Fund revenues and expenditures are as follows:

### Revenues \$455,021,402



### Expenditures \$455,706,484



## Long Term Financial Planning

In the years 2017-2021 \$211.3 million is scheduled for City and School projects. The following summarizes these projects:

• Education	\$37.3 million
• Hampton's Waterways	\$28.2 million
• Maintenance of Public Properties	\$59.2 million
• Master Plans	\$9.7 million
• Neighborhood Support	\$2.6 million
• Other Economic Development Support	\$3.1 million
• Other CIP Projects	\$9.3 million
• Public Safety	\$15.7 million
• Streets and Infrastructure	\$44.9 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, 2017, general obligation debt totaled \$229 million or 2.22% 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, 2017, this would amount to \$399 million or 3.4% 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, 2017, this would amount to \$93 million or .80% of the assessed value of all taxable real and personal property, which was within the policy parameter.

2. Debt Service Policy Limit. General obligation bonded debt and indirect debt shall not exceed 10% of the City's total General Fund and the School Operating Fund expenditures. At June 30, 2017, this would amount to \$37 million or 8.1% 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 79% of general bonded obligation debt in fiscal year 2027 that was outstanding as of June 30, 2017.

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, 2017, capital expenditures were \$18 million which is 5.6% 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, 2017 through 2021, the City plans to use 40% 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, 2017 was \$54.3 million or 11.9% of actual revenues.

The City is in compliance with the Financial Policy Guidelines.

## Credit Ratings

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

## Major Initiatives and Accomplishments

### Fort Monroe

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

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

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

Fort Monroe was identified for closure by the 2005 Base Realignment and Closure Commission and was closed by the Army on September 15, 2011. Since that time, the Commonwealth of Virginia and City of Hampton have been preparing for closure and reuse of the Fort to mitigate the impact of the lost economic activity from the closure. Approximately 371 of the 565 acres of the property automatically reverts to Commonwealth ownership based on deed language when it was originally conveyed to the federal government in the 1800s. The Commonwealth and Army finalized the negotiations of the disposition of the "non-reversionary" acres in 2017 and transferred the remaining balance of federal land to the Fort Monroe Authority. That transfer included approximately 45 acres with an additional 20 acres to be transferred after the environmental remediation actions are completed. It is anticipated this final transfer will occur before the end of calendar year 2018. Furthermore, the Commonwealth has transferred previously owned land to the Department of Interior to be incorporated into the Fort Monroe National Monument under the purview of the National Park Service. As part of the State's partnership with the City, it was agreed that the City would receive a Payment In Lieu Of Taxes (PILOT) to cover the costs of City services that Hampton provides to state controlled property at Fort Monroe. The PILOT is based on the City's real estate tax assessment and tax rate as if it was any other private property in the City, but excludes any property owned by the federal government or used by the City.

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

## Awards and Achievements

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governmental units that publish an easily readable and efficiently organized Comprehensive Annual Financial Report that meets all generally accepted accounting principles and applicable legal requirements. The City of Hampton has received this award for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

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

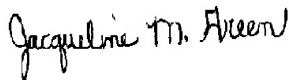
## Acknowledgments

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

Respectfully submitted,



Karl S. Daughtrey  
Director of Finance



Jacqueline M. Green  
Deputy Director of Finance, Controller



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
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Presented to

**City of Hampton  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

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## Report of Independent Auditor

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hampton, Virginia (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Hampton Development Partnership, Inc., which represents 1.2% and 0.3%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Hampton Development Partnership, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The financial statements of the Downtown Hampton Development Partnership, Inc. were not audited in accordance with *Government Auditing Standards 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, 2017, 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**

### *Prior period adjustment*

As discussed in Note 16 to the financial statements, the net position of the Governmental Activities and the discretely presented component unit - Economic Development Authority as of June 30, 2016 has been restated from the previously issued financial statements to reflect the correction of an error. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual statements in Exhibits B – G, supplementary information in Schedules 1 – 15 and the statistical section in Tables I – XVI, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards 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, the supplementary information in Schedules 1 – 15, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America 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, the supplementary information in Schedules 1 – 15, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the statistical section 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, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hampton's internal control over financial reporting and compliance.

*Cheryl Bekant LLP*

Virginia Beach, Virginia  
November 30, 2017

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hampton, Virginia's (City's) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the City's financial performance during the fiscal year ended June 30, 2017. 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 \$0.042 million (Exhibit A-4) after making a \$71.5 million payment to Hampton City Schools, \$18.4 million transfer to Capital Projects, \$8.2 million transfer to Enterprise Funds, \$2.0 million to Special Revenue Funds and \$32.4 million to Debt Service Fund.
- On a government-wide basis for governmental activities, the City's net position decreased by \$0.6 million (Exhibit A-2).
- In the City's business-type activities, on a government-wide basis, net position increased by \$1.5 million (Exhibit A-2).
- The City's net position, excluding component units, on the government-wide basis, totaled \$677.1 million at June 30, 2017. Of this amount, \$48.8 million represents restricted net position and \$(79.4) 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, 2017 and 2016

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2017	2016	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 188,987	\$ 201,873	\$ 62,916	\$ 57,516	\$ 251,903	\$ 259,389	\$ 46,893	\$ 45,845
Capital assets	869,357	885,362	146,202	149,282	1,015,559	1,034,644	33,334	28,164
Total assets	<u>1,058,344</u>	<u>1,087,235</u>	<u>209,118</u>	<u>206,798</u>	<u>1,267,462</u>	<u>1,294,033</u>	<u>80,227</u>	<u>74,009</u>
Deferred outflows of resources	<u>31,821</u>	<u>27,838</u>	<u>6,810</u>	<u>6,623</u>	<u>38,631</u>	<u>34,461</u>	<u>29,877</u>	<u>21,554</u>
Current liabilities	74,529	71,660	10,154	7,306	84,683	78,966	27,191	20,364
Long-term liabilities	436,380	450,752	99,912	101,199	536,292	551,951	224,740	221,186
Total liabilities	<u>510,909</u>	<u>522,412</u>	<u>110,066</u>	<u>108,505</u>	<u>620,975</u>	<u>630,917</u>	<u>251,931</u>	<u>241,550</u>
Deferred inflows of resources	<u>7,466</u>	<u>14,589</u>	<u>547</u>	<u>1,063</u>	<u>8,013</u>	<u>15,652</u>	<u>18,243</u>	<u>22,728</u>
Net position								
Investment in capital assets	637,617	637,860	70,078	70,137	707,695	707,997	33,334	28,163
Restricted	40,734	49,062	8,048	8,037	48,782	57,099	1,570	1,424
Unrestricted (deficit)	<u>(106,561)</u>	<u>(108,850)</u>	<u>27,189</u>	<u>25,679</u>	<u>(79,372)</u>	<u>(83,171)</u>	<u>(194,974)</u>	<u>(198,302)</u>
Total net position, as restated (Note 16)	<u>\$ 571,790</u>	<u>\$ 578,072</u>	<u>\$ 105,315</u>	<u>\$ 103,853</u>	<u>\$ 677,105</u>	<u>\$ 681,925</u>	<u>\$ (160,070)</u>	<u>\$ (168,715)</u>

The City's combined net position (which is the City's bottom line) increased by \$0.8 million in fiscal year 2017. Approximately 7.2% of the City's net position is subject to external restrictions. Net investment in capital assets represents 105% 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 \$(79.4) million.

Table II  
Summary of Changes in Net Position (In Thousands)  
For the Fiscal Years Ended June 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue:								
Program Revenue								
Charges for service	\$ 31,369	\$ 33,587	\$ 43,760	\$ 45,717	\$ 75,129	\$ 79,304	\$ 5,684	\$ 5,950
Operating grants and contributions	80,781	80,113	1,923	1,236	82,704	81,349	147,891	144,705
Capital grants and contributions	13,627	13,172	-	510	13,627	13,682	4,027	458
General revenues								
Property taxes	159,873	158,147	-	-	159,873	158,147	-	-
Other taxes	77,765	78,365	-	-	77,765	78,365	-	-
Other	951	574	792	887	1,743	1,461	74,051	77,118
Total revenues	<u>364,366</u>	<u>363,958</u>	<u>46,475</u>	<u>48,350</u>	<u>410,841</u>	<u>412,308</u>	<u>231,653</u>	<u>228,231</u>
Expenses								
General government	116,667	111,928	-	-	116,667	111,928	7,261	6,348
Public safety	80,442	70,781	-	-	80,442	70,781	-	-
Highways and streets	14,032	18,872	-	-	14,032	18,872	-	-
Sanitation	-	-	25,761	24,020	25,761	24,020	-	-
Health	1,054	1,214	-	-	1,054	1,214	-	-
Human services	34,341	32,459	-	-	34,341	32,459	-	-
Culture and recreation	16,995	17,496	27,636	26,527	44,631	44,023	-	-
Education - payment to school board	71,471	71,112	-	-	71,471	71,112	-	-
Educational	14,423	15,096	-	-	14,423	15,096	221,415	213,660
Interest on long-term debt	7,171	8,053	-	-	7,171	8,053	-	-
Total expenses	<u>356,596</u>	<u>347,011</u>	<u>53,397</u>	<u>50,547</u>	<u>409,993</u>	<u>397,558</u>	<u>228,676</u>	<u>220,008</u>
Increase (decrease) in net position before transfers	7,770	16,947	(6,922)	(2,197)	848	14,750	2,977	8,223
Transfers	(8,384)	(8,549)	8,384	8,549	-	-	-	-
Increase in net position	(614)	8,398	1,462	6,352	848	14,750	2,977	8,223
Net position, July 1, as restated (Note 16)	<u>572,404</u>	<u>564,006</u>	<u>103,853</u>	<u>97,501</u>	<u>676,257</u>	<u>661,507</u>	<u>(163,047)</u>	<u>(171,270)</u>
Net position, June 30	<u>\$ 571,790</u>	<u>\$ 572,404</u>	<u>\$ 105,315</u>	<u>\$ 103,853</u>	<u>\$ 677,105</u>	<u>\$ 676,257</u>	<u>\$ (160,070)</u>	<u>\$ (163,047)</u>

#### GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2017, revenues from governmental activities totaled \$364 million. Revenues from governmental activities increased by \$.408 million; primarily in property taxes which increased \$1.7 million over fiscal year 2016. Capital grants and contributions totaled \$13.6 million, an increase of \$.455 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 \$159.9 million, increasing \$1.7 million over fiscal year 2016 as a result of a modest growth in real property assessments. Program revenues for governmental activities totaled \$125.8 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 \$80.8 million for the year ended June 30, 2017 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 \$77.8 million, a decrease of \$.600 million over fiscal year 2016. Tobacco, sales and use tax, and recordation tax decreased \$.197 million, \$.389 million and \$.318 million, respectively. In addition, meal tax revenues increased \$.297 million.

For the fiscal year ended June 30, 2017, expenses for governmental activities, excluding transfers, totaled \$356.6 million, an increase of \$9.6 million over the previous year. The majority of this increase occurred in the general government, public safety, and human services categories primarily due to a two percent general wage increase combined with salary compression adjustments. Land transferred from the City to the Hampton Redevelopment and Housing Authority in the amount of \$1.6 million also contributed to the increase in the general government category. Investments made to equip the City police force with body cameras and tasers and to equip police vehicles with camera systems also contributed to the increase in the public safety category.

## BUSINESS-TYPE ACTIVITIES

Business-type activities generated revenues of \$46.5 million, a decrease of \$1.9 million when compared to the previous year. The majority of this change is attributed to a \$1.96 million decrease in charges for services. The Coliseum Fund reflected a decrease in charges for services totaling \$.615 million due to fewer shows held in fiscal year 2017. The Refuse-Steam Plant experienced a decline in steam plant usage totaling \$.216 million. User fees in the Solid Waste Fund decreased \$.537 million over fiscal year 2016. The Wastewater Fund charges for services decreased by \$.583 million. Expenses for business-type activities totaled \$53.4 million, an increase of \$2.9 million when compared to fiscal year 2016. Pension expense, required by GAAP, for fiscal year 2017 and fiscal year 2016 totaled \$1.4 million and (\$.928) million, respectively.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund's fund balance increased by \$.070 million over fiscal year 2016. This increase is primarily due to revenues exceeding budget by \$.211 million.

The Capital Projects Fund reflected a decrease in fund balance of \$14.1 million. This decrease resulted from an \$8.5 increase in expenditures for capital projects that were funded by previous general obligation bond issues and \$5.6 million in expenditures for advance funded capital projects.

The Solid Waste Fund experienced an increase in net position totaling \$1.2 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 \$13.8 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 2016 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, the remaining budget savings of \$1.7 million was rolled from fiscal year 2016 to fiscal year 2017. City Council adopted a budget savings program whereby departments will retain 65 percent of their end of the fiscal year budget savings, 15 percent will be put into an innovations pool, 15 percent will be placed in a computer replacement program and \$415,000 will be designated for drainage projects. In addition, the City reappropriated grant, donation, and other revenues.

Actual expenditures and transfers were \$13.9 million below the final budget. A significant amount of this variance (\$7.1 million) occurred in the general government function, specifically in non-departmental in the amount of \$2.4 million and retirement and employee benefits in the amount of \$2.6 million. Also contributing to this variance was unused budget savings under the City's budget savings program of \$1.7 million. A \$4.2 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 \$.211 million over budget. This is primarily due to general property taxes tracking above budget by \$1.3 million

due to a 1.1% increase in multi-family and commercial property values. Other local taxes and special assessment were under budget by \$.909 million and \$.947, respectively. However, since special assessments revenue is a pass-through to other agencies, this revenue is offset by a corresponding increase in expenditures.

#### CAPITAL ASSETS

The total decrease over fiscal year 2016 in the City's investment in capital assets for the current fiscal year is \$19.1 million due to an increase of \$19.5 million in accumulated depreciation for governmental activities. At the end of fiscal year 2017, 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	
	2017	2016	2017	2016	2017	2016
Non-depreciable assets:						
Land and land improvements	\$ 514,356	\$ 523,582	\$ 11,067	\$ 11,067	\$ 525,423	\$ 534,649
Easements	1,443	1,432	29	29	1,472	1,461
Construction in progress	23,018	20,319	798	329	23,816	20,648
Other capital assets:						
Buildings and improvements	196,873	196,873	140,079	139,733	336,952	336,606
Improvements other than buildings	77,216	74,648	35,782	35,695	112,998	110,343
Equipment and vehicles	85,721	84,927	29,450	27,669	115,171	112,596
Exhibits	-	-	14,638	14,608	14,638	14,608
Landfill	-	-	3,866	3,866	3,866	3,866
Infrastructure	206,291	200,409	71,992	70,332	278,283	270,741
Computer software	1,840	1,143	402	354	2,242	1,497
Other assets	4,321	4,218	-	-	4,321	4,218
Accumulated depreciation	(241,722)	(222,189)	(161,901)	(154,400)	(403,623)	(376,589)
Total	<u>\$ 869,357</u>	<u>\$ 885,362</u>	<u>\$ 146,202</u>	<u>\$ 149,282</u>	<u>\$ 1,015,559</u>	<u>\$ 1,034,644</u>

	School Board		Economic Development Authority		Coliseum Central Business Improvement District, Inc.	
	2017	2016	2017	2016	2017	2016
<b>Component Units</b>						
Non-depreciable assets:						
Land and land improvements	\$ 5,111	\$ 5,111	\$ 21,470	\$ 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	40,635	40,854	-	-	143	141
Accumulated depreciation	(84,100)	(83,964)	(1,373)	(1,271)	(139)	(125)
Total	<u>\$ 10,919</u>	<u>\$ 11,274</u>	<u>\$ 22,146</u>	<u>\$ 16,581</u>	<u>\$ 9</u>	<u>\$ 21</u>

Component Units	Downtown Hampton		Total Component Units	
	2017	2016	2017	2016
Non-depreciable assets:				
Land and land improvements	\$ -	\$ -	\$ 26,581	\$ 20,914
Other capital assets:				
Buildings and improvements	-	-	48,963	48,963
Improvements other than buildings	-	-	310	310
Infrastructure	447	447	2,496	2,496
Computer software	9	9	14	14
Equipment and vehicles	102	99	40,880	41,094
Accumulated depreciation	(298)	(267)	(85,910)	(85,627)
	<u>\$ 260</u>	<u>\$ 288</u>	<u>\$ 33,334</u>	<u>\$ 28,164</u>

The capital budget sets forth \$38.6 million to be spent during fiscal year 2018 in various projects including \$7.5 million in school building maintenance and technology projects, \$7.1 million in street and infrastructure projects, \$5 million for public safety projects, \$4.5 million in Hampton's waterways projects and \$9.6 million in maintenance of public properties. Additional information about the City's capital assets can be found in Note 6 to the financial statements.

#### LONG-TERM DEBT

At the end of fiscal year 2017, the City had \$229.0 million in outstanding general obligation bonds and \$76.7 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, 2017, the City's aggregate general obligation indebtedness is \$805 million below this limit.

Table IV  
Change in General Obligation and Revenue Bonds (In Thousands)  
June 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation bonds	\$ 226,155	\$ 247,893	\$ 2,845	\$ 3,237	\$ 229,000	\$ 251,130
Revenue bonds	-	-	76,650	79,205	76,650	79,205
Unamortized premium	30,343	33,067	9,050	9,686	39,393	42,753
Total primary government	<u>\$ 256,498</u>	<u>\$ 280,960</u>	<u>\$ 88,545</u>	<u>\$ 92,128</u>	<u>\$ 345,043</u>	<u>\$ 373,088</u>

#### Component Unit - Economic Development Authority

Revenue bonds \$ 3,606 \$ 4,335

#### NEXT YEAR'S BUDGET

The City's staff and City Council considered many factors when developing the fiscal year 2018 budget, with the economy as one of the major factors. The fiscal year 2018 approved budget for the General Fund is \$467.8 million, a 1% increase over fiscal year 2017. The most important priority for the fiscal year 2018 budget was to provide employees competitive compensation increases and to invest in public safety to combat the increase in crime that has been experienced in Hampton, along with many communities across the country. Tax and fee rate changes included an increase in the personal property tax for privately owned camping trailers used to transport horses and motor homes used for recreational purposes only from \$0.00000.1 per \$100 of assessed value to \$1.50 per \$100 of assessed value, Solid Waste User Fee-Recyclers increased from \$5.88 per week to \$6.10 per week and Solid Waste User Fee for Non-Recyclers increased from \$11.63 per week to \$11.85 per week.

## 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, 7<sup>th</sup> Floor, Hampton, Virginia 23669, telephone (757) 727-6230.

**CITY OF HAMPTON, VIRGINIA**  
**Statement of Net Position**  
**June 30, 2017**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total Primary Government	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 124,855,662	\$ 29,613,875	\$ 154,469,537	\$ 15,914,218
Cash with fiscal agent	230,052		230,052	4,333,397
Investments	40,423,288		40,423,288	24,460
Accounts receivable	31,900,887	5,552,775	37,453,662	909,410
Lease receivable				3,960,238
Due from component units	122,255	33,255	155,510	
Due from Primary Government				223,637
Internal balances	(8,871,190)	8,871,190		
Due from other governments				8,992,156
Inventories	103,964	442,428	546,392	400,980
Prepaid items	220,777	80,148	300,925	30,711
Temporarily restricted assets:				
Cash and cash equivalents		2,042,331	2,042,331	1,570,244
Cash with fiscal agent		491,134	491,134	
Investments		15,780,639	15,780,639	
Notes receivable		8,708	8,708	299,538
Land held for sale				10,235,112
Capital assets not being depreciated	538,817,113	11,893,324	550,710,437	26,581,314
Capital assets, net of accumulated depreciation	330,540,273	134,308,399	464,848,672	6,752,424
Total assets	<u>1,058,343,081</u>	<u>209,118,206</u>	<u>1,267,461,287</u>	<u>80,227,839</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	8,401,092	4,511,555	12,912,647	
Related to pensions	23,420,191	2,298,106	25,718,297	29,876,918
Total deferred outflows of resources	<u>31,821,283</u>	<u>6,809,661</u>	<u>38,630,944</u>	<u>29,876,918</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	37,693,270	2,658,209	40,351,479	20,128,028
Due to component units	223,637		223,637	
Due to Primary Government				155,510
Unearned revenues	123,254	2,076,683	2,199,937	653,787
Current liabilities payable from restricted assets		1,303,244	1,303,244	
Notes and other long-term payables:				
Due within one year	11,796,955	387,979	12,184,934	5,477,261
Due in more than one year	204,573,933	15,095,810	219,669,743	221,910,950
Bonds Payable:				
Due within one year	24,691,390	3,728,074	28,419,464	776,573
Due in more than one year	231,806,411	84,816,208	316,622,619	2,829,255
Total liabilities	<u>510,908,850</u>	<u>110,066,207</u>	<u>620,975,057</u>	<u>251,931,364</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes collected in advance	1,777,846		1,777,846	
Related to pensions	5,687,775	546,554	6,234,329	18,242,912
Total deferred inflows of resources	<u>7,465,621</u>	<u>546,554</u>	<u>8,012,175</u>	<u>18,242,912</u>
<b>NET POSITION</b>				
Net investment in capital assets	637,617,453	70,077,982	707,695,435	33,333,738
Restricted for:				
Capital projects	25,310,116		25,310,116	
Debt service	78,026		78,026	
Public safety projects	762,740		762,740	
Stormwater management	11,867,206		11,867,206	
Human services	534,943		534,943	
Bond indenture		8,047,700	8,047,700	1,570,244
Culture and recreation	46,546		46,546	
Physical environment	142,477		142,477	
Education	6		6	
Community development	876,762		876,762	
Operations and maintenance	34		34	
Other purposes	1,114,737		1,114,737	
Unrestricted	(106,561,153)	27,189,424	(79,371,729)	(194,973,501)
Total net position (deficit)	<u>\$ 571,789,893</u>	<u>\$ 105,315,106</u>	<u>\$ 677,104,999</u>	<u>\$ (160,069,519)</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, 2017**

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	
<b>Primary Government</b>								
<b>Governmental activities:</b>								
General government	\$ 116,666,577	\$ 23,324,379	\$ 33,626,561	\$ 3,925,929	\$ (55,789,708)		\$ (55,789,708)	\$
Public safety	80,442,084	5,260,264	9,163,967		(66,017,853)		(66,017,853)	
Highways and streets	14,031,887		16,176,199	9,700,729	11,845,041		11,845,041	
Health	1,054,310				(1,054,310)		(1,054,310)	
Human services	34,340,821	1,723,195	21,096,330		(11,521,296)		(11,521,296)	
Culture and recreation	16,995,326	1,032,350	298,354		(15,664,622)		(15,664,622)	
Education (payment to school district)	71,471,416				(71,471,416)		(71,471,416)	
Education and educational services	14,423,013	28,356	166,828		(14,227,829)		(14,227,829)	
Interest on long-term debt	7,171,024		252,797		(6,918,227)		(6,918,227)	
Total Governmental Activities	<u>356,596,458</u>	<u>31,368,544</u>	<u>80,781,036</u>	<u>13,626,658</u>	<u>(230,820,220)</u>		<u>(230,820,220)</u>	
<b>Business-type activities</b>								
Culture and recreation	\$ 27,636,455	\$ 14,888,525	\$ 1,922,861			\$ (10,825,069)	\$ (10,825,069)	
Sanitation	25,760,960	28,872,536				3,111,576	3,111,576	
Total Business-type activities	<u>53,397,415</u>	<u>43,761,061</u>	<u>1,922,861</u>			<u>(7,713,493)</u>	<u>(7,713,493)</u>	
Total Primary Government	<u>\$ 409,993,873</u>	<u>\$ 75,129,605</u>	<u>\$ 82,703,897</u>	<u>\$ 13,626,658</u>	<u>\$ (230,820,220)</u>	<u>\$ (7,713,493)</u>	<u>\$ (238,533,713)</u>	
<b>Component units</b>								
Public school system	\$ 221,415,247	\$ 4,731,463	\$ 147,621,853					\$ (69,061,931)
Economic development	5,249,768	95,626		4,027,300				(1,126,842)
Business improvement	1,268,360	590,880						(677,480)
Downtown development	743,310	266,708	269,151					(207,451)
Total component units	<u>\$ 228,676,685</u>	<u>\$ 5,684,677</u>	<u>\$ 147,891,004</u>	<u>\$ 4,027,300</u>				<u>\$ (71,073,704)</u>
<b>General revenues</b>								
<b>Taxes:</b>								
Property taxes					\$ 159,873,180		\$ 159,873,180	\$
Sales taxes					14,979,420		14,979,420	
Lodging, meal and amusement taxes					25,141,214		25,141,214	
Motor vehicle taxes					4,429,225		4,429,225	
Business license taxes					12,304,137		12,304,137	
Utility taxes					5,482,378		5,482,378	
Tobacco taxes					4,427,289		4,427,289	
Recordation taxes					1,663,209		1,663,209	
Bank stock taxes					569,308		569,308	
Short-term rental taxes					102,217		102,217	
Communication sales tax					8,649,072		8,649,072	
Mobile home titling tax					17,511		17,511	
Payments from (to) City								73,731,759
Investment earnings					951,293	792,317	1,743,610	321,541
Miscellaneous								(1,871)
Transfers					(8,383,591)	8,383,591	-	
Total general revenues and transfers					<u>230,205,862</u>	<u>9,175,908</u>	<u>239,381,770</u>	<u>74,051,429</u>
<b>Change in net position</b>					(614,358)	1,462,415	848,057	2,977,725
<b>Net position(deficit), beginning of year, as restated (Note 16)</b>					<u>572,404,251</u>	<u>103,852,691</u>	<u>676,256,942</u>	<u>(163,047,244)</u>
<b>Net position(deficit), ending</b>					<u>\$ 571,789,893</u>	<u>\$ 105,315,106</u>	<u>\$ 677,104,999</u>	<u>\$ (160,069,519)</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

	General Fund	Special Revenue- Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 82,364,530	\$ 6,381,683	\$ 516,970	\$	\$ 12,987,493	\$ 102,250,676
Investments	13,942,470			26,480,818		40,423,288
<b>Accounts receivables:</b>						
Taxes (net of allowance of uncollectible)	8,197,564					8,197,564
Due from other governments	10,315,459			7,703,569	2,828,133	20,847,161
Other	1,192,395	12,740	204	829,461	774,797	2,809,597
Due from other funds	17,364,088			3,525,496	469,246	21,358,830
Due from component units	496					496
Inventories	34,326					34,326
Prepaid items	77,784					77,784
<b>Total assets</b>	<b>\$ 133,489,112</b>	<b>\$ 6,394,423</b>	<b>\$ 517,174</b>	<b>\$ 38,539,344</b>	<b>\$ 17,059,669</b>	<b>\$ 195,999,722</b>
<b>Liabilities:</b>						
Accounts payable	\$ 9,765,512	\$ 24,998	\$	\$ 5,363,728	\$ 1,202,876	\$ 16,357,114
Accrued health insurance	11,801,363					11,801,363
Accrued liabilities	4,613,408				134,037	4,747,445
Due to other funds	3,397,391	18,600		9,684,347	1,642,532	14,742,870
Due to component units	223,637					223,637
Unearned revenues	123,253	6,185				129,438
<b>Total liabilities</b>	<b>29,924,564</b>	<b>49,783</b>	<b>-</b>	<b>15,048,075</b>	<b>2,979,445</b>	<b>48,001,867</b>
<b>Deferred inflows of resources:</b>						
Unavailable revenue-property taxes	6,278,882					6,278,882
Property taxes collected in advance	1,777,846					1,777,846
Unavailable revenue-program income					154,750	154,750
Unavailable revenue-stormwater fees					442,527	442,527
<b>Total deferred inflows of resources</b>	<b>8,056,728</b>				<b>597,277</b>	<b>8,654,005</b>
<b>Fund balances:</b>						
Nonspendable	112,110					112,110
Restricted	338,175	861,998	78,026	1,102,656	13,394,118	15,774,973
Committed	35,177,825	2,046,962		20,563,011		57,787,798
Assigned	5,549,229	3,435,680	439,148	1,825,602	88,829	11,338,488
Unassigned	54,330,481					54,330,481
<b>Total fund balances</b>	<b>95,507,820</b>	<b>6,344,640</b>	<b>517,174</b>	<b>23,491,269</b>	<b>13,482,947</b>	<b>139,343,850</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 133,489,112</b>	<b>\$ 6,394,423</b>	<b>\$ 517,174</b>	<b>\$ 38,539,344</b>	<b>\$ 17,059,669</b>	<b>\$ 195,999,722</b>



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

Total fund balances of governmental funds	\$ 139,343,850
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)	849,455,529
Other assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	6,882,342
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.	8,401,092
Deferred outflows of resources related to pensions are reported in the government-wide financial statements, but are not reported in the governmental fund statements	23,420,191
Deferred inflows of resources related to pensions are reported in the government-wide financial statements, but are not reported in the governmental fund statements	(5,687,775)
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)	30,233,812
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	(528,120)
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	131,632
Other liabilities not paid from current-period revenues are not reported in the funds for:	
Accrued interest	(3,516,518)
Interfund balances related to amounts eliminated in the Statement of Net Position	(15,466,417)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds. (Note 8)	<u>(460,879,725)</u>
Net position of governmental activities	<u>\$ 571,789,893</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, 2017**

	General Fund	Special Revenue- Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
General property taxes	\$ 160,809,510					\$ 160,809,510
Other local taxes	77,400,694					77,400,694
Special assessments	4,765,156					4,765,156
Intergovernmental revenues:						
From the Commonwealth of Virginia	54,828,110			3,396,338	9,929,529	68,153,977
From the Federal government	10,200,338		252,797	6,478,237	4,256,795	21,188,167
Permits, privilege fees and regulatory licenses	1,449,748					1,449,748
Fines and forfeitures	1,560,319					1,560,319
Revenues from use of money and property	777,921	323,105	2,352	214,635	395,516	1,713,529
Charges for services	9,282,401				8,865,462	18,147,863
Payment from component units	2,000,180					2,000,180
Miscellaneous	4,168,720	5,500		1,346,397	961,259	6,481,876
Recovered costs	953,500					953,500
Total revenues	<u>328,196,597</u>	<u>328,605</u>	<u>255,149</u>	<u>11,435,607</u>	<u>24,408,561</u>	<u>364,624,519</u>
<b>EXPENDITURES</b>						
Current:						
General government	103,409,904	320,000			2,715,830	106,445,734
Public safety	52,550,351				4,859,754	57,410,105
Highways and streets	2,187,322					2,187,322
Sanitation					5,484,018	5,484,018
Health	2,396,124					2,396,124
Human services	20,556,062				9,858,484	30,414,546
Culture and recreation	12,632,230				382,519	13,014,749
Education (payment to school district)	71,471,416					71,471,416
Education and education services	2,102,054					2,102,054
Capital improvements				46,130,185		46,130,185
Debt Service:						
Principal retirement			21,738,152			21,738,152
Interest and fiscal charges			10,962,576			10,962,576
Total expenditures	<u>267,305,463</u>	<u>320,000</u>	<u>32,700,728</u>	<u>46,130,185</u>	<u>23,300,605</u>	<u>369,756,981</u>
Excess (deficiency) of revenues over (under) expenditures	<u>60,891,134</u>	<u>8,605</u>	<u>(32,445,579)</u>	<u>(34,694,578)</u>	<u>1,107,956</u>	<u>(5,132,462)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	241,593		32,447,863	21,085,285	2,132,287	55,907,028
Transfers out	(61,090,241)	(49,400)		(483,604)	(2,667,374)	(64,290,619)
Other financing sources (uses), net	<u>(60,848,648)</u>	<u>(49,400)</u>	<u>32,447,863</u>	<u>20,601,681</u>	<u>(535,087)</u>	<u>(8,383,591)</u>
<b>Net change in fund balances</b>	42,486	(40,795)	2,284	(14,092,897)	572,869	(13,516,053)
<b>Fund balances, beginning of year</b>	<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>
<b>Fund balances, end of year</b>	<u>\$ 95,507,820</u>	<u>\$ 6,344,640</u>	<u>\$ 517,174</u>	<u>\$ 23,491,269</u>	<u>\$ 13,482,947</u>	<u>\$ 139,343,850</u>

**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	\$ (13,516,053)
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	13,923,933
Depreciation expense	(19,205,597)
Loss on disposal of assets	(5,891,009)
Donated assets are not reported in the governmental funds but are reflected in the statement of activities.	1,728,299
Revenues earned during the period that are not yet available are reported in the Statement of Activities, but not reported as revenues in the funds.	(2,131,589)
Proceeds from bond issuance and capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Decrease in compensated absences	(31,623)
Net other postemployment benefits liability	(4,892,440)
Repayment of debt principal	23,411,693
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.	(610,017)
Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest	339,268
Amortization of premiums	1,836,816
Change in net pension liability, which is recognized as an expense in the Statement of Activities as compared to the pension contributions reported in the governmental funds	<u>4,423,961</u>
Change in net position of governmental activities	<u><u>\$ (614,358)</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				<u>Over (Under)</u>
<b>REVENUES</b>				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 40,126,893	\$ 55,849,188	\$ 54,828,110	\$ (1,021,078)
From the Federal government	9,158,987	9,158,987	10,200,338	1,041,351
Local taxes	253,245,464	237,791,535	238,210,204	418,669
Special assessments	5,711,979	5,711,979	4,765,156	(946,823)
Licenses and permits	1,296,144	1,296,144	1,449,748	153,604
Fines and forfeitures	1,640,293	1,640,293	1,560,319	(79,974)
Revenues from use of money and property	438,592	438,592	777,594	339,002
Charges for services	9,146,513	9,146,513	9,282,401	135,888
Recovered costs	906,000	906,000	953,500	47,500
Payment from component units	2,000,000	2,000,000	2,000,180	180
Miscellaneous	4,031,292	4,046,292	4,168,720	122,428
<b>Total revenues</b>	<u>327,702,157</u>	<u>327,985,523</u>	<u>328,196,270</u>	<u>210,747</u>
<b>EXPENDITURES</b>				
Current:				
General government	112,282,223	110,476,961	103,382,304	(7,094,657)
Public safety	50,039,013	53,301,734	52,550,351	(751,383)
Highways and streets	2,312,634	2,276,510	2,187,322	(89,188)
Health	2,612,415	2,603,937	2,396,124	(207,813)
Human services	21,105,378	21,513,939	20,556,062	(957,877)
Culture and recreation	12,853,413	13,212,400	12,632,230	(580,170)
Education	73,542,292	73,587,392	73,573,470	(13,922)
<b>Total expenditures</b>	<u>274,747,368</u>	<u>276,972,873</u>	<u>267,277,863</u>	<u>(9,695,010)</u>
Excess of revenues over (under) expenditures	<u>52,954,789</u>	<u>51,012,650</u>	<u>60,918,407</u>	<u>9,905,757</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	229,292	229,292	241,593	12,301
Transfers out	(59,467,737)	(65,274,274)	(61,090,241)	(4,184,033)
<b>Total other financing uses, net</b>	<u>(59,238,445)</u>	<u>(65,044,982)</u>	<u>(60,848,648)</u>	<u>(4,196,334)</u>
Net change in fund balances	(6,283,656)	(14,032,332)	69,759	<u>\$ 14,102,091</u>
<b>Appropriations from fund balance</b>	6,283,656	13,671,846		
<b>Appropriations - encumbrances</b>		<u>360,486</u>		
<b>Fund balance - July 1</b>			<u>95,398,009</u>	
<b>Fund balance - June 30</b>	<u>\$</u>	<u>\$</u>	<u>\$ 95,467,768</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, 2017**

	Business-type Activities - Enterprise Funds					Governmental	
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
<b>ASSETS</b>							
<b>Current assets:</b>							
Cash and cash equivalents	\$ 10,624,356	\$ 8,564	\$ 1,635,275	\$	\$ 17,345,680	\$ 29,613,875	\$ 22,604,987
Cash with fiscal agent							230,052
Restricted assets to be used to liquidate current liabilities:							
Revenue bond indenture:							
Cash and cash equivalents				1,583,602		1,583,602	
Cash with fiscal agent				491,134		491,134	
Accounts receivable, net	1,707,881	4,088	85,419	292,585	3,462,802	5,552,775	46,564
Notes and mortgage receivable	8,708					8,708	
Due from other funds				225,974		225,974	
Due from component units					33,255	33,255	121,759
Inventories	211,960	23,536	112,058		94,876	442,430	69,639
Prepaid items			64,362	15,786		80,148	142,993
Restricted assets:							
Revenue bond indenture:							
Cash and cash equivalents				458,728		458,728	
Investments				15,780,639		15,780,639	
<b>Total current assets</b>	<b>12,552,905</b>	<b>36,188</b>	<b>1,897,114</b>	<b>18,848,448</b>	<b>20,936,613</b>	<b>54,271,268</b>	<b>23,215,994</b>
<b>Noncurrent Assets:</b>							
<b>Capital Assets:</b>							
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	31,554,397	89,858,046	13,584,901	140,079,256	
Improvements other than buildings	290,651	3,802,031	6,800	4,268,569	27,414,416	35,782,467	426,985
Computer software	153,386				248,343	401,729	215,775
Equipment	5,169,568	618,060	4,757,095	794,367	18,110,707	29,449,797	42,855,839
Construction in progress	782,355				15,685	798,040	
Exhibits			14,638,250			14,638,250	
Landfill					3,865,986	3,865,986	
Infrastructure	71,991,562					71,991,562	
Less accumulated depreciation	(35,032,346)	(6,499,509)	(41,519,051)	(30,505,066)	(48,344,676)	(161,900,648)	(23,596,742)
<b>Net capital assets</b>	<b>46,212,852</b>	<b>581,476</b>	<b>11,358,911</b>	<b>69,748,317</b>	<b>18,300,167</b>	<b>146,201,723</b>	<b>19,901,857</b>
<b>Total noncurrent assets</b>	<b>46,212,852</b>	<b>581,476</b>	<b>11,358,911</b>	<b>69,748,317</b>	<b>18,300,167</b>	<b>146,201,723</b>	<b>19,901,857</b>
<b>Total assets</b>	<b>58,765,757</b>	<b>617,664</b>	<b>13,256,025</b>	<b>88,596,765</b>	<b>39,236,780</b>	<b>200,472,991</b>	<b>43,117,851</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred charge on refunding Related to pensions	672,058	72,820		4,511,555	1,553,228	4,511,555	2,298,106
<b>Total deferred outflows of resources</b>	<b>672,058</b>	<b>72,820</b>		<b>4,511,555</b>	<b>1,553,228</b>	<b>6,809,661</b>	<b>528,120</b>

	Business-type Activities - Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ 489,412	\$ 9,551	\$ 294,831	\$	\$ 1,270,003	\$ 2,063,797	\$ 1,231,060
Accrued liabilities				59,050		59,050	
Accrued leave	125,332	5,224	44,368		213,056	387,980	79,805
Due to other funds		3,838,037	854,525		2,128,641	6,821,203	20,731
Unearned revenues			175,480		1,901,203	2,076,683	
Current portion of long-term debt				3,316,240	411,834	3,728,074	6,043,574
Current liabilities payable from restricted assets:							
Accounts payable				339,227		339,227	
Accrued interest payable				964,016		964,016	
Other liabilities	46,855	18,669	51,087	81,030	337,724	535,365	39,772
Total current liabilities	<u>661,599</u>	<u>3,871,481</u>	<u>1,420,291</u>	<u>4,759,563</u>	<u>6,262,461</u>	<u>16,975,395</u>	<u>7,414,942</u>
Noncurrent liabilities:							
Claims payable							1,776,728
Accrued leave	107,325	19,389			331,311	458,025	101,492
Bonds payable				82,383,297	2,432,911	84,816,208	
Obligations under capital leases							950,070
Net pension liability	4,118,237	418,796			10,100,751	14,637,784	3,037,295
Total noncurrent liabilities	<u>4,225,562</u>	<u>438,185</u>	<u></u>	<u>82,383,297</u>	<u>12,864,973</u>	<u>99,912,017</u>	<u>5,865,585</u>
Total liabilities	<u>4,887,161</u>	<u>4,309,666</u>	<u>1,420,291</u>	<u>87,142,860</u>	<u>19,127,434</u>	<u>116,887,412</u>	<u>13,280,527</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Related to pensions	162,834	18,150			365,570	546,554	131,632
Total deferred inflows of resources	<u>162,834</u>	<u>18,150</u>	<u></u>	<u></u>	<u>365,570</u>	<u>546,554</u>	<u>131,632</u>
<b>NET POSITION</b>							
Net investment in capital assets	46,212,852	581,476	11,358,912	(3,530,679)	15,455,422	70,077,983	18,056,609
Restricted							
Bond indenture				8,047,700		8,047,700	
Unrestricted	8,174,968	(4,218,808)	476,822	1,448,439	5,841,582	11,723,003	12,177,203
Total net position	<u>\$ 54,387,820</u>	<u>\$(3,637,332)</u>	<u>\$ 11,835,734</u>	<u>\$ 5,965,460</u>	<u>\$ 21,297,004</u>	<u>\$ 89,848,686</u>	<u>\$ 30,233,812</u>
<b>Reconciliation of the Statement of Net Position for Proprietary Funds to the Business-type Activities Statement of Net Position (Exhibit A-1)</b>							
Net position of enterprise funds						89,848,686	
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						15,007,795	
Net position business-type activities						<u>\$ 105,315,106</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, 2017**

	Business-type Activities-Enterprise Funds		
	Wastewater Management	The Hamptons	Museum
<b>Operating revenues:</b>			
Charges for services	\$ 8,152,715	\$ 586,132	\$ 1,592,876
Federal revenues			553,297
Other			1,785,624
Total operating revenues	<u>8,152,715</u>	<u>586,132</u>	<u>3,931,797</u>
<b>Operating expenses:</b>			
Personal services	2,311,693	415,521	1,176,994
Fringe benefits	1,524,058	139,604	312,872
Promoters fees			
City-sponsored events			
Cost of goods sold	25,692	32,781	135,184
Utilities	265,586	51,451	262,297
Insurance	44,280	28,418	64,360
Operating supplies	579,895	80,901	692,269
Equipmental rental	448	84,756	41,175
Equipment and building repairs	457,893	52,467	112,315
Telephone and postage	39,438	6,028	30,565
General expense	68,525	1,947	272,853
Claims			
Landfill costs			
Contractual services	904,286	47,196	415,530
Indirect cost	456,000		
Depreciation and amortization	1,293,319	52,663	1,434,256
Total operating expenses	<u>7,971,113</u>	<u>993,733</u>	<u>4,950,670</u>
Operating income (loss)	<u>181,602</u>	<u>(407,601)</u>	<u>(1,018,873)</u>
<b>Nonoperating revenues (expenses):</b>			
Interest income			171
Interest and fiscal charges			
Other			
Gain on disposal of capital assets	41,444		
Net decrease in fair value of investments			
Total nonoperating revenues (expenses), net	<u>41,444</u>		<u>171</u>
Income (loss) before transfers and capital contributions	<u>223,046</u>	<u>(407,601)</u>	<u>(1,018,702)</u>
Capital contributions			
Transfers in(out)	<u>(113,292)</u>		<u>483,604</u>
<b>Change in net position</b>	<u>109,754</u>	<u>(407,601)</u>	<u>(535,098)</u>
<b>Net position, (deficit) beginning of year</b>	<u>54,278,066</u>	<u>(3,229,731)</u>	<u>12,370,832</u>
<b>Net position, (deficit) end of year</b>	<u>\$ 54,387,820</u>	<u>\$ (3,637,332)</u>	<u>\$ 11,835,734</u>



Business-type Activities - Enterprise Funds			Governmental Activities
Convention Center	Non-Major Enterprise Funds	Totals	Internal Service
\$ 2,680,880	\$ 30,287,100	\$ 43,299,703	\$ 21,267,483
		553,297	
	2,040	1,787,664	3,909
<u>2,680,880</u>	<u>30,289,140</u>	<u>45,640,664</u>	<u>21,271,392</u>
1,331,729	5,923,970	11,159,907	1,850,359
406,614	3,511,208	5,894,356	930,069
	3,526,323	3,526,323	
	1,114,665	1,114,665	
	314,834	508,491	4,991,391
700,044	739,724	2,019,102	44,437
109,573	645,768	892,399	2,413,315
405,863	648,413	2,407,341	314,157
	84,844	211,223	120,336
277,068	3,403,048	4,302,791	513,732
32,131	109,140	217,302	1,020,556
62,079	1,685,128	2,090,532	245,019
			5,894,994
	3,798,288	3,798,288	
190,396	1,370,243	2,927,651	1,294,680
	574,470	1,030,470	
<u>2,865,376</u>	<u>2,671,609</u>	<u>8,317,223</u>	<u>2,577,897</u>
<u>6,380,873</u>	<u>30,121,675</u>	<u>50,418,064</u>	<u>22,210,942</u>
<u>(3,699,993)</u>	<u>167,465</u>	<u>(4,777,400)</u>	<u>(939,550)</u>
815,599	26,038	841,808	137,444
(3,890,054)	(119,769)	(4,009,823)	(58,073)
	1,813	43,257	95,987
			56,822
<u>(49,490)</u>		<u>(49,490)</u>	
<u>(3,123,945)</u>	<u>(91,918)</u>	<u>(3,174,248)</u>	<u>232,180</u>
<u>(6,823,938)</u>	<u>75,547</u>	<u>(7,951,648)</u>	<u>(707,370)</u>
			97,353
<u>7,358,177</u>	<u>655,102</u>	<u>8,383,591</u>	
534,239	730,649	431,943	(610,017)
<u>5,431,221</u>	<u>20,566,355</u>	<u>89,416,743</u>	<u>30,843,829</u>
<u>\$ 5,965,460</u>	<u>\$ 21,297,004</u>	<u>\$ 89,848,686</u>	<u>\$ 30,233,812</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	\$ 431,943
Interfund reimbursement of overhead costs	<u>1,030,472</u>
Change in net position - Business-type activities	<u>\$ 1,462,415</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, 2017**

	Business-type Activities-Enterprise Funds						Governmental Activities
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers	\$ 8,182,567	\$ 583,011	\$ 3,855,678	\$ 2,598,085	\$ 31,994,547	\$ 47,213,888	\$ 21,729,761
Cash payments to suppliers for goods and services	(4,105,398)	(146,672)	(2,275,282)	(2,202,571)	(19,574,493)	(28,304,416)	(15,695,549)
Cash payments to employees for services	(1,795,473)	(413,294)	(1,167,832)	(1,325,470)	(5,953,965)	(10,656,034)	(2,431,539)
Net cash provided by (used in) operating activities	<u>2,281,696</u>	<u>23,045</u>	<u>412,564</u>	<u>(929,956)</u>	<u>6,466,089</u>	<u>8,253,438</u>	<u>3,602,673</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Cash received from other funds			483,604	8,232,203	826,102	9,541,909	(65,096)
Cash paid to other funds	(113,291)				(171,000)	(284,291)	
Net cash provided by (used in) noncapital financing activities	<u>(113,291)</u>	<u>-</u>	<u>483,604</u>	<u>8,232,203</u>	<u>655,102</u>	<u>9,257,618</u>	<u>(65,096)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition and construction of capital assets	(3,356,420)	(15,281)	(432,426)	(8,761)	(1,066,052)	(4,878,940)	(2,092,667)
Principal paid on revenue bond maturities and long-term debt				(2,555,001)	(391,848)	(2,946,849)	(874,059)
Interest paid on revenue bonds and long-term debt				(3,920,740)	(159,692)	(4,080,432)	(58,073)
Sale of capital assets	41,444				8,365	49,809	134,995
Net cash used in capital and related financing activities	<u>(3,314,976)</u>	<u>(15,281)</u>	<u>(432,426)</u>	<u>(6,484,502)</u>	<u>(1,609,227)</u>	<u>(11,856,412)</u>	<u>(2,889,804)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of investment securities				(1,000,000)		(1,000,000)	
Sale of investment securities				203,150		203,150	
Interest and dividends on investments			169	162,560	26,038	188,767	129,637
Net cash provided by (used in) investing activities			<u>169</u>	<u>(634,290)</u>	<u>26,038</u>	<u>(608,083)</u>	<u>129,637</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(1,146,571)	7,764	463,911	183,455	5,538,002	5,046,561	777,410
Cash and cash equivalents (including restricted), July 1	<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>
Cash and cash equivalents, June 30	<u>\$ 10,624,356</u>	<u>\$ 8,564</u>	<u>\$ 1,635,275</u>	<u>\$ 2,533,464</u>	<u>\$ 17,345,680</u>	<u>\$ 32,147,339</u>	<u>\$ 22,835,039</u>

	Business-type Activities-Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 181,602	\$ (407,601)	\$ (1,018,873)	\$ (3,699,993)	\$ 167,465	\$ (4,777,400)	\$ (939,550)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization expense	1,293,319	52,663	1,434,256	2,865,376	2,671,609	8,317,223	2,577,897
Decrease (increase) in:							
Accounts receivable	29,853	655	(6,027)	(82,795)	128,280	69,966	(15,272)
Due from other funds				874,026		874,026	317,925
Due from component units					66,462	66,462	51,923
Inventories	(43,210)	5,904	(22,568)		1,454	(58,420)	18,511
Prepaid items			(45,618)	6,241		(39,377)	72,676
Increase (decrease) in:							
Accounts payable	303,998	272	132,323		639,554	1,076,147	(709,756)
Accrued leave	7,843	2,644	5,231		1,481	17,199	16,668
Due to other funds	(86)	340,818			169,815	510,547	(769,773)
Other liabilities	10,911	(3,776)	3,931	6,259	79,028	96,353	7,929
Nonoperating revenues reported as operating activity							95,989
Unearned revenues			(70,091)		1,678,986	1,608,895	
Accrued liabilities				41,450		41,450	
Current liabilities payable from restricted assets				(66,494)		(66,494)	
Current portion of long-term accrued claims reported as operating activity							1,589,234
Due to/from other funds reported as nonoperating activities				(874,026)		(874,026)	65,096
Accounts receivable reported as nonoperating activities							7,807
Long-term accrued leave reported as operating activities	5,829				(44,896)	(39,067)	(14,566)
Accounts payable reported as nonoperating activities							426,704
Long-term accrued insurance claims reported as operating activity							529,754
Prepaid items reported as nonoperating activities		(417)				(417)	
Net pension liability reported as operating activity	856,102	80,496			1,544,063	2,480,661	626,810
Deferred Outflows & Inflows related to pensions reported as operating activity	(364,465)	(48,613)			(637,212)	(1,050,290)	(353,333)
Total adjustments	<u>2,100,094</u>	<u>430,646</u>	<u>1,431,437</u>	<u>2,770,037</u>	<u>6,298,624</u>	<u>13,030,838</u>	<u>4,542,223</u>
Net cash provided by (used in) operating activities	<u>\$ 2,281,696</u>	<u>\$ 23,045</u>	<u>\$ 412,564</u>	<u>\$ (929,956)</u>	<u>\$ 6,466,089</u>	<u>\$ 8,253,438</u>	<u>\$ 3,602,673</u>
Non-cash transactions affecting investing capital and related financing activities:							
Acquisition of capital assets through outside capital contribution		-				-	97,353
Total non-cash transactions	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ -</u>	<u>\$</u>	<u>\$ -</u>	<u>\$ 97,353</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2017**

	<u>Pension Trust</u>	
	Hampton Employees' Retirement System	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,412	\$ 844,009
Investments:		
Bond mutual funds	45,466,720	
Stock mutual funds	82,813,245	
Receivables:		
Accounts	757	1,306
Property, Plant, and Equipment		
Office and operating equipment	5,799	
Less accumulated depreciation	(4,904)	
Total assets	<u>\$ 128,294,029</u>	<u>\$ 845,315</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to pensions	<u>32,733</u>	
Total deferred outflows of resources	<u>32,733</u>	
<b>LIABILITIES</b>		
Deposits	\$	\$ 816,900
Accounts payable	20,274	28,415
Net pension liability	<u>188,252</u>	
Total liabilities	<u>208,526</u>	<u>\$ 845,315</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to pensions	<u>8,159</u>	
Total deferred inflows of resources	<u>8,159</u>	
<b>NET POSITION</b>		
Net position restricted for pensions	<u>\$ 128,110,077</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, 2017**

	Hampton Employees' Retirement System
<b>ADDITIONS</b>	
Investment income:	
Net appreciation in fair value of investments	\$ 12,013,303
Dividends	2,681,279
Other	23
Total investment earnings	14,694,605
Less investment expenses	(20,121)
Net investment earnings	14,674,484
Employer contributions	7,100,125
Total additions	21,774,609
 <b>DEDUCTIONS</b>	
Benefits	17,100,559
Administrative expenses	266,311
Total deductions	17,366,870
 <b>Change in net position</b>	 4,407,739
<b>Net position, July 1</b>	123,702,338
 <b>Net position, June 30</b>	 \$ 128,110,077

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, 2017**

	Governmental Activities		Business-type Activities			Total
	School Board	Economic Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 13,310,381	\$ 1,031,459	\$ 899,333	\$ 673,045	\$ 15,914,218	
Cash with fiscal agent	2,652,597	1,680,800			4,333,397	
Investments	24,460				24,460	
Accounts receivable, net	507,184	67,754	285,856	48,616	909,410	
Lease receivable		3,960,238			3,960,238	
Due from Primary Government		223,637			223,637	
Due from other governments	8,992,156				8,992,156	
Inventories	400,980				400,980	
Prepaid items			15,961	14,750	30,711	
Temporarily restricted assets:						
Cash and cash equivalents		1,570,244			1,570,244	
Notes receivable		299,538			299,538	
Land held for sale		10,235,112			10,235,112	
Capital assets not being depreciated	5,111,045	21,470,269			26,581,314	
Capital assets, net of accumulated depreciation	5,807,404	675,800	8,955	260,265	6,752,424	
Total assets	<u>\$ 36,806,207</u>	<u>\$ 41,214,851</u>	<u>\$ 1,210,105</u>	<u>\$ 996,676</u>	<u>\$ 80,227,839</u>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Related to pensions	29,876,918				29,876,918	
Total deferred outflows of resources	<u>29,876,918</u>				<u>29,876,918</u>	
<b>LIABILITIES</b>						
Accounts payable and other liabilities	\$ 17,562,612	\$ 2,492,007	\$ 50,454	\$ 22,955	\$ 20,128,028	
Due to Primary Government	155,510				155,510	
Unearned revenues	63,059	564,703		26,025	653,787	
Notes and other long-term payables:						
Due within one year	5,477,261				5,477,261	
Due in more than one year	221,910,950				221,910,950	
Bonds payable						
Due within one year		776,573			776,573	
Due in more than one year		2,829,255			2,829,255	
Total liabilities	<u>245,169,392</u>	<u>6,662,538</u>	<u>50,454</u>	<u>48,980</u>	<u>251,931,364</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Related to pensions	18,242,912				18,242,912	
Total deferred inflows of resources	<u>18,242,912</u>				<u>18,242,912</u>	
<b>NET POSITION</b>						
Net investment in capital assets	10,918,449	22,146,069	8,955	260,265	33,333,738	
Restricted for:						
Bond indenture		1,570,244			1,570,244	
Unrestricted	(207,647,628)	10,836,000	1,150,696	687,431	(194,973,501)	
Total net position	<u>\$ (196,729,179)</u>	<u>\$ 34,552,313</u>	<u>\$ 1,159,651</u>	<u>\$ 947,696</u>	<u>\$ (160,069,519)</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, 2017**

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	\$ 221,415,247	\$ 4,731,463	\$ 147,621,853	\$	\$ (69,061,931)	\$	\$	\$	\$ (69,061,931)
Business-type activities									
Economic development	5,249,768	95,626		4,027,300		(1,126,842)			(1,126,842)
Business improvement	1,268,360	590,880					(677,480)		(677,480)
Downtown development	743,310	266,708	269,151					(207,451)	(207,451)
Total component units	<u>\$ 228,676,685</u>	<u>\$ 5,684,677</u>	<u>\$ 147,891,004</u>	<u>\$ 4,027,300</u>	<u>\$ (69,061,931)</u>	<u>\$ (1,126,842)</u>	<u>\$ (677,480)</u>	<u>\$ (207,451)</u>	<u>\$ (71,073,704)</u>
Payments from (to) City					71,471,416	1,537,107	546,655	176,581	73,731,759
Investment earnings						320,094	1,447		321,541
Miscellaneous					994	(2,865)			(1,871)
Total general revenues					<u>71,472,410</u>	<u>1,854,336</u>	<u>548,102</u>	<u>176,581</u>	<u>74,051,429</u>
Change in net position					2,410,479	727,494	(129,378)	(30,870)	2,977,725
Net position, beginning of year, as restated (Note 16)					<u>(199,139,658)</u>	<u>33,824,819</u>	<u>1,289,029</u>	<u>978,566</u>	<u>(163,047,244)</u>
Net position, end of year					<u>\$ (196,729,179)</u>	<u>\$ 34,552,313</u>	<u>\$ 1,159,651</u>	<u>\$ 947,696</u>	<u>\$ (160,069,519)</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017**

**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, 2017, the City provided operating and capital support of \$5,212,169 to HRT, \$165,533 to HRPDC, \$10,500 to VPPSA, \$129,846 to HREDA and \$74,435 to PCFWD.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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 2017.

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, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:**

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

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

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

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

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

**Budgets and Budgetary Accounting**

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

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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 2017. 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, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:**

Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$1,448,972. 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. Prepays in the General Fund, Internal Service Funds and Enterprise Funds consist of mainly insurance and contract costs which are recognized proportionately over the periods the service is provided (consumption method).

Land Held for Resale

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

Interfund Activity

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

Restricted Assets

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

	Convention Center	Component Unit- EDA
<b>Restricted Assets</b>		
Cash:		
Operating and Maintenance Account	\$	\$ 286,887
Operating/Capital Reserve Fund	2,074,737	719,207
Debt Service Reserve Fund	458,728	564,150
Investments:		
Operating Reserve Fund	7,567,439	
Bond Fund	1,434,429	
Debt Service Reserve Fund	6,778,771	
	\$ 18,314,104	\$ 1,570,244

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017**

**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, changes in proportion and differences between employer contributions and proportionate share of contributions and net difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized in accordance with GAAP.

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

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

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

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

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

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

**Assigned Fund Balance** – Includes amounts intended to be used by the City 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**  
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**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
<b>Fund Balances:</b>						
Nonspendable:						
Inventory	\$ 34,326					\$ 34,326
Prepaid items	77,784					77,784
<b>Restricted:</b>						
Debt service			78,026			78,026
Donations for parks projects	10,000					10,000
Public safety for hazmat fees	10,786					10,786
Wetlands Encroachment/In Lieu	136,887					136,887
Youth development programs					25,620	25,620
Donations for bike racks				300		300
Title IVE	138,446					138,446
Urban Development Action grant projects		861,998				861,998
Property acquisition/redevelopment				589,106		589,106
Street & Infrastructure projects				471,055		471,055
Waterways projects				844	81,011	81,855
Park improvement projects				40,684	15,803	56,487
Public Works equipment					215,334	215,334
Facilities maintenance and repairs					34	34
Law library books and subscriptions					61,676	61,676
Stormwater management					11,867,206	11,867,206
Social Services homeless prevention					8,999	8,999
Commonwealth Attorney						
investigations,training and equipment					77,758	77,758
Probation supervision services					138,327	138,327
Emergency preparedness					235,779	235,779
Fire equipment,training and supplies					111,528	111,528
Police investigations,training and equipment					135,532	135,532
Early intervention and special education services					367,269	367,269
Neighborhood improvement projects					39,308	39,308
Community improvement grants					1,756	1,756
Sheriff/Jail grants					11,178	11,178
Donations for bus shelter benches	40,052					40,052
Other	2,004			667		2,671



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:**

	General	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Committed:</b>						
Budget savings program	8,180,282					8,180,282
Computer Replacement Program	477,061					477,061
Capital projects	15,216,980					15,216,980
Debt service	7,059,497					7,059,497
Home elevation loan program	1,959,619					1,959,619
Proceeds from real estate auctions	31,876					31,876
Maintenance of driving range	161,114					161,114
EDA grants program	106,546					106,546
Job creation grants		1,625,200				1,625,200
Streets & Infrastructure projects		178,051		8,984,109		9,162,160
Waterways projects	1,983,236			2,307,830		4,291,066
Buckroe redevelopment projects		86,274		97,380		183,654
Va Air & Space Museum support/improvements	1,614			691		2,305
Coliseum Central projects		138,100		3,736,290		3,874,390
Court buildings projects				268,013		268,013
Downtown strategic projects				1,451,876		1,451,876
Fire and Rescue projects				430,074		430,074
North King Street Corridor projects				898,532		898,532
Neighborhood improvement projects				957,805		957,805
Police and E911 equipment				155,938		155,938
Property acquisition/redevelopment		19,337		180,082		199,419
Transportation projects				423,427		423,427
Other				93,948		93,948
War Memorial Stadium				577,016		577,016
<b>Assigned:</b>						
Donations for parks projects	3,247					3,247
Subsequent year expense	3,624,401					3,624,401
Economic development projects		3,435,680				3,435,680
Transportation projects	324,956					324,956
Fire and Rescue operations	12,310					12,310
Debt service			439,148			439,148
Donations for History Museum	1,586					1,586
Donations for general operations	39,125					39,125
Police Department equipment and supplies	486,052					486,052
Community Development-professional services	150,000					150,000
Traffic Engineering equipment and supplies	39,938					39,938
Information Technology equipment and supplies	114,485					114,485
Youth, Education and Family Services equipment and supplies	110,969					110,969
City Sheriff equipment and supplies	97,391					97,391
Fire Department equipment and supplies	177,775					177,775
Unappropriated bond interest income- general capital projects				1,657,520		1,657,520
Line of Duty program	92,743					92,743
Other	274,251			168,082	88,829	531,162
Unassigned	54,330,481					54,330,481
<b>Total Fund Balances</b>	<b>\$ 95,507,820</b>	<b>\$ 6,344,640</b>	<b>\$ 517,174</b>	<b>\$ 23,491,269</b>	<b>\$ 13,482,947</b>	<b>\$ 139,343,850</b>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:**

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

The net position(deficit) at June 30, 2017 in the Enterprise Funds are as follows:

	Primary Government	Discretely Presented Component Units
Wastewater Management	\$ 54,387,820	\$
The Hamptons Golf Course	(3,637,332)	
Museum	11,835,734	
Hampton Roads Convention Center	5,965,460	
<b>Non-Major Enterprise:</b>		
Hampton Coliseum	8,195,747	
The Woodlands Golf Course	202,837	
Solid Waste	8,454,122	
Refuse-Steam Plant	4,444,298	
<b>Component Units:</b>		
School Board		(196,729,179)
Economic Development Authority		34,552,313
Coliseum Central Business Improvement District, Inc.		1,159,651
Downtown Hampton Development Partnership, Inc.		947,696

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:

<b>Internal Service:</b>		
Equipment Replacement		\$ 17,985,891
Fleet Management		(1,014,250)
Risk Management		12,566,304
Information Technology		695,867

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, 2017**

**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, 2017 has been reported in the government-wide statements, representing the City's commitment to fund such costs from future operations. Proprietary fund types accrue annual and sick leave benefits in the period they are earned. Such benefits are included in accounts payable and other liabilities in the government-wide statements. In prior years, the General, Federal Grants, Community Development, Pembroke Complex and Stormwater Management Funds have been used to liquidate the liability for compensated absences.

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

**2. BASIS OF PRESENTATION - FUND ACCOUNTING:**

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

General Fund

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

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, 2017**

**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 and telecommunications services.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**3. INTERFUND BALANCES:**

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

The \$225,974 due to the Convention Center Fund from the General Fund is for operating support for the year. The General Fund's due from of \$17,364,088 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:

<b><u>Primary Government:</u></b>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 17,364,088	\$ 3,397,391
Special Revenue: Economic Development		18,600
Capital Projects	3,525,496	9,684,347
Non-Major Governmental Funds	469,246	1,642,532
<b><u>Proprietary Funds:</u></b>		
The Hamptons		3,838,037
Museum		854,525
Convention Center	225,974	
Non-Major Enterprise Funds		2,128,641
Internal Service Funds		20,731
Total Primary Government	<u>\$ 21,584,804</u>	<u>\$ 21,584,804</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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	\$	\$ 223,637	\$ 496	\$
Primary Government - Non-major Enterprise Funds			33,255	
Primary Government - Internal Service Funds			121,759	
Component Unit - School Board Operating Fund				155,510
Component Unit - EDA	<u>223,637</u>			
Total	<u>\$ 223,637</u>	<u>\$ 223,637</u>	<u>\$ 155,510</u>	<u>\$ 155,510</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, 2017 are as follows:

<b><u>Primary Government:</u></b>	<u>Transfer From</u>	<u>Transfer To</u>
General Fund	\$ 241,593	\$ 61,090,241
Special Revenue:		
Economic Development		49,400
Debt Service	32,447,863	
Capital Projects	21,085,285	483,604
Non-Major Governmental Funds	2,132,287	2,667,374
Proprietary Funds:		
Wastewater Management		113,292
Museum	483,604	
Convention Center	7,358,177	
Non-Major Enterprise Funds	655,102	
Total Primary Government	<u>\$ 64,403,911</u>	<u>\$ 64,403,911</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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	\$	\$ 73,483,659	\$ 2,000,180	\$
Primary Government - Economic Development		245,000		
Primary Government - Capital Projects Fund		3,280		
Component Unit - School Board Operating Fund	71,471,416			2,000,000
Component Unit - EDA	1,537,287			180
Component Unit - Coliseum BID	546,655			
Component Unit - Downtown Hampton	176,581			
Total	<u>\$73,731,939</u>	<u>\$ 73,731,939</u>	<u>\$ 2,000,180</u>	<u>\$ 2,000,180</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, 2017, the carrying value of the City’s deposits was \$20,241,866 and the bank balance was \$8,231,207. 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. The LGIP is reported at amortized cost and SNAP is reported at net asset value.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017**

**4. DEPOSITS AND INVESTMENTS , continued:**

U. S. Government Securities

The City invested in U. S. Government Securities which consisted of FHLB, FHLMC and FFCB. 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, 2017**

**4. DEPOSITS AND INVESTMENTS , continued:**

As of June 30, 2017, the City had the following investments and maturities:

<b>Primary Government</b>	Fair Value	Actual Credit Rating	Investment Maturities (in years)	
			Less than 1 year	1-5 years
Commercial Paper	\$ 7,981,320	A-1 + P-1	\$ 7,981,320	\$
U.S. Government securities	28,288,681	Aaa		28,288,681
LGIP - City	128,000,000	AAAm	128,000,000	
State Non-Arbitrage Fund-City	27,915,247	AAAm	27,915,247	
Mutual and Money Market Funds	<u>1,866,288</u>	Unrated	<u>1,866,288</u>	
Total Investments Controlled by City	194,051,536		165,762,855	28,288,681
Pension Plan Investments	<u>128,279,965</u>		<u>128,279,965</u>	
Total	<u>322,331,501</u>		<u>\$ 294,042,820</u>	<u>\$ 28,288,681</u>
 <b>Reconciliation to Total Cash and Investments:</b>				
<b>Add:</b>				
Cash on Hand and in Banks-City	19,520,680			
Cash With Fiscal Agent	<u>721,186</u>			
Total Deposits and Investments Primary Government and Fiduciary Funds per Exhibits A-1 and A-9	<u>\$ 342,573,367</u>			

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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	24,460	24,460
Total Investments School Board	<u>\$ 1,324,460</u>	<u>\$ 1,324,460</u>

**Other Component Units**

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
Mutual and Money Market Funds	\$ 1,570,244	\$ 1,570,244

Reconciliation of total deposits and investments to the government-wide statements at June 30, 2017;

<b><u>Primary Government</u></b>	Governmental Activities	Business-type Activities	Fiduciary Responsibilities	Total
Cash Deposits-City	\$ 2,684,290	\$ 15,979,969	\$ 856,421	\$ 19,520,680
Cash With Fiscal Agent-City	230,052	491,134		721,186
Mutual and Money Market Funds		1,676,237		1,676,237
Investments-City	162,594,660	29,780,639	128,279,965	320,655,264
Total Primary Government	<u>\$ 165,509,002</u>	<u>\$ 47,927,979</u>	<u>\$ 129,136,386</u>	<u>\$ 342,573,367</u>
<b><u>Component Unit - School Board</u></b>				
Cash Deposits	\$ 12,010,381	\$	\$	\$ 12,010,381
Cash With Fiscal Agent	2,652,597			2,652,597
Investments	1,324,460			1,324,460
Total Component Unit School Board	<u>\$ 15,987,438</u>	<u>\$</u>	<u>\$</u>	<u>\$ 15,987,438</u>
<b><u>Other Component Units</u></b>				
Cash Deposits	\$	\$ 2,603,837	\$	\$ 2,603,837
Cash With Fiscal Agent		1,680,800		1,680,800
Investments		1,570,244		1,570,244
Total Other Component Units	<u>\$</u>	<u>\$ 5,854,881</u>	<u>\$</u>	<u>\$ 5,854,881</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**4. DEPOSITS AND INVESTMENTS , continued:**

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

Fair Value Hierarchy

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

The following is a summary of the fair value hierarchy for investments of the City as of June 30, 2017:

	Investments at Fair Value June 30, 2017	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)
<b>Primary Government</b>				
Commercial Paper	\$ 7,981,320	\$	\$ 7,981,320	\$
U.S. Government securities	28,288,681		28,288,681	
Total Primary Government	<u>\$ 36,270,001</u>	<u>\$</u>	<u>\$ 36,270,001</u>	<u>\$</u>
Pension Plan Investments	<u>\$ 128,279,965</u>	<u>\$ 128,279,965</u>	<u>\$</u>	<u>\$</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**5. ACCOUNTS RECEIVABLE:**

Accounts receivable at June 30, 2017 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>
<b>Primary Government:</b>					
General property taxes (net of allowance for uncollectible taxes of \$1,448,972)	\$ 8,197,564		\$	\$	\$
Due from Commonwealth of Virginia	9,590,986			7,703,569	1,603,462
Due from Federal Government	724,473				1,224,671
Other	1,192,395	12,740	204	829,461	774,797
Total Primary Government	<u>\$ 19,705,418</u>	<u>\$ 12,740</u>	<u>\$ 204</u>	<u>\$ 8,533,030</u>	<u>\$ 3,602,930</u>
 <b><u>Discretely Presented Component Unit - School Board:</u></b>					
Due from Commonwealth of Virginia		\$ 6,222,336			
Due from Federal Government		2,769,820			
Due from other municipalities		122,866			
Other		384,318			
Total Component Unit		<u>\$ 9,499,340</u>			

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**6. CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2017 is as follows:

	Beginning Balance (as restated Note 16)	Additions	Reductions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 517,914,150	\$ 2,325,056	\$ (5,883,318)	\$ 514,355,888
Easements	1,432,109	11,108		1,443,217
Construction in progress	20,319,449	9,039,689	(6,341,130)	23,018,008
Total capital assets not being depreciated	<u>539,665,708</u>	<u>11,375,853</u>	<u>(12,224,448)</u>	<u>538,817,113</u>
Capital assets being depreciated:				
Buildings	196,872,813			196,872,813
Improvements	74,647,598	2,568,539		77,216,137
Computer Software	1,143,462	696,177		1,839,639
Machinery & Equipment	84,926,929	3,210,210	(2,415,713)	85,721,426
Infrastructure	200,409,048	5,882,207		206,291,255
Other Assets	4,218,300	102,739		4,321,039
Total capital assets being depreciated	<u>562,218,150</u>	<u>12,459,872</u>	<u>(2,415,713)</u>	<u>572,262,309</u>
Less accumulated depreciation for:				
Buildings	(52,464,091)	(4,481,398)		(56,945,489)
Improvements	(50,057,227)	(2,721,776)		(52,779,003)
Computer Software	(878,132)	(83,241)		(961,373)
Machinery & Equipment	(45,314,378)	(5,851,711)	2,261,894	(48,904,195)
Infrastructure	(72,031,710)	(8,445,105)		(80,476,815)
Other Assets	(1,443,808)	(211,353)		(1,655,161)
Total accumulated depreciation	<u>(222,189,346)</u>	<u>(21,794,584)</u>	<u>2,261,894</u>	<u>(241,722,036)</u>
Total capital assets being depreciated, net	<u>340,028,804</u>	<u>(9,334,712)</u>	<u>(153,819)</u>	<u>330,540,273</u>
Governmental activities capital assets, net	<u>\$ 879,694,512</u>	<u>\$ 2,041,141</u>	<u>\$ (12,378,267)</u>	<u>\$ 869,357,386</u>

**Primary Government:**

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

General capital assets	\$ 849,455,529
Internal service funds	19,901,857
	<u>\$ 869,357,386</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**6. CAPITAL ASSETS, continued:**

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 11,066,341	\$	\$	\$ 11,066,341
Easements	28,943			28,943
Construction in progress	329,232	758,344	(289,536)	798,040
Total capital assets not being depreciated	<u>11,424,516</u>	<u>758,344</u>	<u>(289,536)</u>	<u>11,893,324</u>
<b>Capital assets being depreciated:</b>				
Buildings	139,732,884	346,372		140,079,256
Improvements	35,695,496	86,971		35,782,467
Computer Software	353,877	47,852		401,729
Machinery & Equipment	27,669,187	2,508,386	(727,776)	29,449,797
Exhibits	14,608,232	30,018		14,638,250
Landfill	3,865,986			3,865,986
Infrastructure	70,332,156	1,659,406		71,991,562
Total capital assets being depreciated	<u>292,257,818</u>	<u>4,679,005</u>	<u>(727,776)</u>	<u>296,209,047</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(62,996,499)	(3,755,941)		(66,752,440)
Improvements	(24,101,125)	(1,139,802)		(25,240,927)
Computer Software	(172,461)	(61,290)		(233,751)
Machinery & Equipment	(19,802,916)	(2,083,456)	721,226	(21,165,146)
Exhibits	(14,093,880)	(97,017)		(14,190,897)
Landfill	(3,661,508)	(2,841)		(3,664,349)
Infrastructure	(29,571,753)	(1,081,385)		(30,653,138)
Total accumulated depreciation	<u>(154,400,142)</u>	<u>(8,221,732)</u>	<u>721,226</u>	<u>(161,900,648)</u>
Total capital assets being depreciated, net	<u>137,857,676</u>	<u>(3,542,727)</u>	<u>(6,550)</u>	<u>134,308,399</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 149,282,192</u>	<u>\$ (2,784,383)</u>	<u>\$ (296,086)</u>	<u>\$ 146,201,723</u>

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

	General Capital Assets	Internal Service Funds	Total
<b>Governmental activities</b>			
General government	\$ 3,462,984	\$ 2,588,986	\$ 6,051,970
Health	794,893		794,893
Public welfare	21,760		21,760
Public safety	3,469,738		3,469,738
Streets and highways	7,031,537		7,031,537
Culture and recreation	423,803		423,803
Education	4,000,883		4,000,883
Total depreciation expense - governmental activities	<u>\$ 19,205,598</u>	<u>\$ 2,588,986</u>	<u>\$ 21,794,584</u>
<b>Business - type activities:</b>			
Culture and recreation	\$ 4,675,558		
Sanitation	3,546,174		
Total depreciation expense - business-type activities	<u>\$ 8,221,732</u>	*	

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**6. CAPITAL ASSETS , continued:**

\*Depreciation expense in the amount of \$268,873 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
Machinery and equipment	\$ 20,900,308
Less accumulated depreciation	(6,882,455)
Capital assets, net	\$ 14,017,853

No equipment was acquired through a capital lease during fiscal year ended June 30, 2017. Depreciation expense on the leased assets totaled \$1,816,902 for the fiscal year ended June 30, 2017.

**Discretely Presented Component Units**

**School Board:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,111,045	\$	\$	\$ 5,111,045
Total capital assets not being depreciated:	5,111,045			5,111,045
Capital assets being depreciated:				
Buildings	48,962,686			48,962,686
Improvements	310,100			310,100
Machinery & Equipment	40,853,970	1,510,814	(1,730,177)	40,634,607
Total capital assets being depreciated	90,126,756	1,510,814	(1,730,177)	89,907,393
Less accumulated depreciation for:				
Buildings	(48,962,686)			(48,962,686)
Improvements	(228,699)	(15,319)		(244,018)
Machinery & Equipment	(34,772,320)	(1,678,598)	1,557,633	(34,893,285)
Total accumulated depreciation	(83,963,705)	(1,693,917)	1,557,633	(84,099,989)
Total capital assets being depreciated, net	6,163,051	(183,103)	(172,544)	5,807,404
School Board capital assets, net	\$ 11,274,096	\$ (183,103)	\$ (172,544)	\$ 10,918,449



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**6. CAPITAL ASSETS , continued:**

**Economic Development Authority:**

	Beginning Balance (as restated Note 16)	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 21,470,269	\$	\$	\$ 21,470,269
Total capital assets not being depreciated	<u>21,470,269</u>			<u>21,470,269</u>
Capital assets being depreciated:				
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	(1,271,082)	(102,468)		(1,373,550)
Total accumulated depreciation	<u>(1,271,082)</u>	<u>(102,468)</u>		<u>(1,373,550)</u>
Total capital assets being depreciated, net	<u>778,268</u>	<u>(102,468)</u>		<u>675,800</u>
Economic Development Authority capital assets, net	<u>\$ 22,248,537</u>	<u>\$ (102,468)</u>	<u>\$</u>	<u>\$ 22,146,069</u>

**Downtown Hampton Development Partnership, Inc:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Improvements	\$ 446,537	\$	\$	\$ 446,537
Computer Software	9,000	819		9,819
Machinery & Equipment	99,227	3,000		102,227
Total capital assets being depreciated	<u>554,764</u>	<u>3,819</u>		<u>558,583</u>
Less accumulated depreciation	<u>(267,204)</u>	<u>(31,114)</u>		<u>(298,318)</u>
Downtown Hampton Development Partnership capital assets, net	<u>\$ 287,560</u>	<u>\$ (27,295)</u>	<u>\$</u>	<u>\$ 260,265</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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	141,138	2,377		143,515
Total capital assets being depreciated	145,718	2,377		148,095
Less accumulated depreciation	(124,710)	(14,430)		(139,140)
<b>Coliseum Central Business Improvement District capital assets, net</b>	<b>\$ 21,008</b>	<b>\$ (12,053)</b>	<b>\$ -</b>	<b>\$ 8,955</b>

**Construction in Progress**

Several capital projects were in various stages of completion on June 30, 2017. 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, 2017, construction in progress by project was comprised as follows:

	Project Authorization	Expended to June 30, 2017
<b><u>Governmental Activities</u></b>		
Infrastructure	\$ 46,612,386	\$ 21,034,869
Construction	5,162,756	1,983,139
	<b>\$ 51,775,142</b>	<b>\$ 23,018,008</b>
<b><u>Business-type Activities</u></b>		
Wastewater Management - Sewer Projects	\$ 4,300,000	\$ 798,040
	<b>\$ 4,300,000</b>	<b>\$ 798,040</b>

**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, 2017 (Budget basis)	\$ 95,467,768
Pearl Young Fund's fund balances	40,052
Exhibit A-4 Fund balances, June 30, 2017 (GAAP)	<b>\$ 95,507,820</b>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds payable:					
Serial bonds	\$ 247,893,407	\$	\$ (21,738,152)	\$ 226,155,255	\$ 21,973,166
Unamortized premium and discount	33,066,853		(2,724,307)	30,342,546	2,718,224
Capital leases	6,798,188		(1,673,541)	5,124,647	1,688,314
Capital leases - Internal Service Funds	2,719,307		(874,059)	1,845,248	895,178
Compensated absences	7,362,892	4,016,885	(3,985,262)	7,394,515	3,985,262
Compensated absences - Internal Service Funds	179,195	81,907	(79,805)	181,297	79,805
Claims and judgements - Internal Service Funds	4,806,137	3,024,925	(905,938)	6,925,124	5,148,396
Net OPEB obligation - Line of Duty Benefits	3,121,240	792,596	(488,308)	3,425,528	
Net pension liability - Internal Service Funds	2,410,485	626,810		3,037,295	
Net OPEB obligation - Healthcare Benefits	44,090,904	7,387,024	(2,798,872)	48,679,056	
Net pension liability	<u>132,511,450</u>	<u>11,297,828</u>	<u>(4,051,100)</u>	<u>139,758,178</u>	
 Governmental activities long-term liabilities	 <u>\$ 484,960,058</u>	 <u>\$ 27,227,975</u>	 <u>\$ (39,319,344)</u>	 <u>\$ 472,868,689</u>	 <u>\$ 36,488,345</u>

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

**Balances at June 30, 2017**

Long-term liabilities (detail above)	\$ 472,868,689
Less debt - Internal Service Fund	<u>(11,988,964)</u>
Combined adjustment	<u>\$ 460,879,725</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, 2017 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, 2017**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities:</b>					
Bonds payable:					
Revenue bonds	\$ 79,205,000	\$	\$ (2,555,000)	\$ 76,650,000	\$ 2,680,000
Serial bonds	3,236,593		(391,848)	2,844,745	411,834
Unamortized premium and discount	9,685,777		(636,240)	9,049,537	636,240
Total bonds payable	92,127,370		(3,583,088)	88,544,282	3,728,074
Net pension liability	12,157,123	2,737,080	(256,419)	14,637,784	
Compensated absences	868,291	365,694	(387,980)	846,005	387,979
Business-type activities long-term liabilities	<u>\$ 105,152,784</u>	<u>\$ 3,102,774</u>	<u>\$ (4,227,487)</u>	<u>\$ 104,028,071</u>	<u>\$ 4,116,053</u>
<b>Component Units:</b>					
School Board:					
Compensated absences	\$ 6,121,452	\$ 6,063,696	\$ (6,707,887)	\$ 5,477,261	\$ 5,477,261
Capital leases	89,868		(89,868)	-	
Net OPEB obligation	9,544,998	407,439	(212,196)	9,740,241	
Net pension liability	203,873,438	15,251,000	(6,953,729)	212,170,709	
Total School Board	<u>\$ 219,629,756</u>	<u>\$ 21,722,135</u>	<u>\$ (13,963,680)</u>	<u>\$ 227,388,211</u>	<u>\$ 5,477,261</u>
Economic Development Authority:					
Revenue bonds payable	<u>\$ 4,335,288</u>	<u>\$</u>	<u>\$ (729,460)</u>	<u>\$ 3,605,828</u>	<u>\$ 776,573</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, 2017**

**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>
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	3,270,000	3,203,088
2023-2027	19,015,000	13,337,974
2028-2032	24,650,000	7,855,813
2033-2035	18,150,000	1,399,138
	<u>\$ 76,650,000</u>	<u>\$ 40,115,574</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>
2018	\$ 411,834	\$ 140,099
2019	431,976	119,507
2020	453,936	97,908
2021	476,213	75,212
2022	500,622	51,401
2023-2026	570,164	67,425
	<u>\$ 2,844,745</u>	<u>\$ 551,552</u>

**CITY OF HAMPTON, VIRGINIA**  
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**June 30, 2017**

**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, 2017 are as follows:

	2002 Revenue Bonds
	<u>Tax-Exempt</u>
Outstanding Debt	\$ 3,605,828
Interest	6.17%
Years of maturity	2018- 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>
2018	\$ 776,573	\$ 213,486
2019	825,913	164,146
2020	878,387	111,672
2021	933,997	56,062
2022	190,958	5,924
	\$ 3,605,828	\$ 551,290

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%. The lease was paid off in fiscal year 2017.

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%. The lease was paid off in fiscal year 2017.

Internal Service Funds:

The City is self-insured for workmens' compensation benefits and general liability insurance claims. At June 30, 2017, the liability for existing claims amounted to \$6,925,124. Workmens' compensation benefit claims are payable weekly or monthly through 2025.

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

Equipment Replacement Fund:

On July 9, 2009, the City entered into a master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

to purchase rolling-stock equipment. During fiscal year 2010, the City financed a fire truck through this agreement. The lease is payable in 10 quarterly remaining equal installments of \$16,899 at an interest rate of 4.52%. At June 30, 2017 the outstanding balance on the lease is \$158,947. 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 8 quarterly equal installments of \$216,134 at an interest rate of 2.24%. At June 30, 2017, the outstanding balance on the lease is \$1,686,300.

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

Year	Accrued Insurance Claims	Capital Lease		
		Year	Principal	Interest
2018	\$ 5,148,396	2018	\$ 895,178	\$ 36,955
2019	446,218	2019	916,835	15,300
2020	408,099	2020	33,234	555
2021	328,932			
2022	241,245			
2023-2025	352,234			
	<u>\$ 6,925,124</u>		<u>\$ 1,845,247</u>	<u>\$ 52,810</u>

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2017 are as follows:

General Obligation Bonds Outstanding	\$226,155,255
Coupon interest rate	2.0% to 5.63%
Years of maturity	2018-2035

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

General Obligation Bonds		
Year	Principal	Interest
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	17,909,378	6,668,492
2023-2027	81,774,836	20,792,979
2028-2032	34,820,000	5,108,791
2033-2035	12,470,000	710,663
	<u>\$226,155,255</u>	<u>\$ 68,921,872</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017, \$87,220,000 of bonds outstanding are considered defeased.



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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 6 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
2018	\$ 1,688,314	\$ 60,174
2019	1,708,138	40,350
2020	1,728,195	20,292
	\$ 5,124,647	\$ 120,816

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, 2017, the City's aggregate general obligation indebtedness was \$229,000,000, which is \$804,851,235 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: \$157,621,509 net pension liabilities, \$480,440,778 pension assets, \$25,751,030 deferred outflows of resources, \$6,242,488 deferred inflows of resources and \$17,070,945 pension expense.

**Plan Description - HERS:**

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

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**9. DEFINED BENEFIT PENSION PLANS , continued:**

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, 2016, the following employees were covered by the benefit terms of the pension plan :

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

**Contributions - HERS:**

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

**Net Pension Liability - HERS:**

The City's and School Board's net pension liability was measured as of June 30, 2017 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**9. DEFINED BENEFIT PENSION PLANS , continued:**

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, 2017 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>
Domestic Equity- Large Cap	45%	7.20%
Domestic Equity-Small Cap	9%	8.90%
International Equity	11%	7.40%
Fixed Income	35%	2.10%
Total	<u>100%</u>	

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2016	\$ 160,476,963	\$ 123,702,338	\$ 36,774,625
<b>Changes for the year:</b>			
Service cost	152,557		152,557
Interest	11,411,712		11,411,712
Differences between expected and actual experience	(76,396)		(76,396)
Contributions-employer		7,100,148	(7,100,148)
Net investment income		14,694,582	(14,694,582)
Benefit payments, including refunds of employee contributions	(17,100,560)	(17,100,560)	
Administrative expense		(286,431)	286,431
Net Changes	<u>(5,612,687)</u>	<u>4,407,739</u>	<u>(10,020,426)</u>
Balances at June 30, 2017	<u>\$ 154,864,276</u>	<u>\$ 128,110,077</u>	<u>\$ 26,754,199</u>

At June 30, 2017, the City and School Board reported a net pension liability of \$13,581,350 and \$13,172,849, 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	\$ 37,758,812	\$ 26,754,199	\$ 17,052,947

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, 2017**

**9. DEFINED BENEFIT PENSION PLANS, continued:**

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

For the year ended June 30, 2017, the City and School Board recognized pension expense of \$2,666,311 and \$1,354,304, respectively. At June 30, 2017, 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	\$ 705,544	\$ 684,323
Total	\$ 705,544	\$ 684,323

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

Year ended June 30:	City	School Board
2018	\$ 577,805	\$ 560,426
2019	577,804	560,426
2020	139,060	134,877
2021	(589,125)	(571,406)

**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, 2017**

**9. DEFINED BENEFIT PENSION PLANS , continued:**

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b>  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><b>About Plan 2</b>  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><b>About the Hybrid Retirement Plan</b>  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"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> <li>• 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.</li> </ul>

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

<p><b>Eligible Members</b>  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><b>Hybrid Opt-In Election</b>  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><b>Eligible Members</b>  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><b>Hybrid Opt-In Election</b>  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><b>Eligible Members</b>  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"> <li>• School division employees</li> <li>• Political subdivision employees*</li> <li>• 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</li> </ul> <p><b>*Non-Eligible Members</b>  Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <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**  
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**9. DEFINED BENEFIT PENSION PLANS , continued:**

<p><b>Retirement Contributions</b>          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><b>Retirement Contributions</b>          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><b>Retirement Contributions</b>          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><b>Creditable Service</b>          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><b>Creditable Service</b>          Same as Plan 1.</p>	<p><b>Creditable Service</b>  <u><b>Defined Benefit Component:</b></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><b>Defined Contributions Component:</b></u>          Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>



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**9. DEFINED BENEFIT PENSION PLANS , continued:**

<p><b>Vesting</b>  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><b>Vesting</b>  Same as Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component:</b></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><b>Defined Contributions Component:</b></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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
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**CITY OF HAMPTON, VIRGINIA**  
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**9. DEFINED BENEFIT PENSION PLANS , continued:**

<p><b>Calculating the Benefit</b>  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><b>Calculating the Benefit</b>  See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <b><u>Defined Benefit Component:</u></b>  See definition under Plan 1</p> <p><b><u>Defined Contribution Component:</u></b>  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><b>Average Final Compensation</b>  A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b>  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><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> 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><b>Service Retirement Multiplier</b>  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><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b>  <b><u>Defined Benefit Component:</u></b>  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><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b>  Not applicable.</p>

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**9. DEFINED BENEFIT PENSION PLANS , continued:**

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

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**9. DEFINED BENEFIT PENSION PLANS , continued:**

<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  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><b><u>Eligibility:</u></b>  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><b><u>Exceptions to COLA Effective Dates:</u></b>  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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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</li> </ul>	<p><b>COLA in Retirement</b>  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><b><u>Eligibility:</u></b>  Same as Plan 1.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1.</p>	<p><b>COLA in Retirement</b>  <b><u>Defined Benefit Component:</u></b>  Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b>  Not applicable.</p> <p><b><u>Eligibility:</u></b>  Same as Plan 1 and Plan 2.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1 and Plan 2.</p>
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**CITY OF HAMPTON, VIRGINIA**  
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**9. DEFINED BENEFIT PENSION PLANS , continued:**

<p>full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>		
<p><b>Disability Coverage</b>  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><b>Disability Coverage</b>  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><b>Disability Coverage</b>  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><b>Purchase of Prior Service</b>  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><b>Purchase of Prior Service</b>  Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b>  <u><b>Defined Benefit Component:</b></u>  Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• 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.</li> </ul> <p><u><b>Defined Contribution Component:</b></u>  Not applicable.</p>

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**9. DEFINED BENEFIT PENSION PLANS, continued:**

**Employees Covered by Benefit Terms - VRS Retirement Plan**

As of the June 30, 2015 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	1,524	275
<b>Inactive members:</b>		
Vested inactive members	318	45
Non-vested inactive members	571	125
Inactive members active elsewhere in VRS	549	66
Total inactive members	1,438	236
Active members	1,882	203
Total covered employees	4,844	714

**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, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. 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 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the Teacher Retirement Plan from the School Board were \$15,562,773 and \$14,808,006 for the years ended June 30, 2017 and June 30, 2016, 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, 2017 were 15.91% and 10.82% of covered employee compensation, respectively. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$14,233,220 and \$16,241,604 for the years ended June 30, 2017 and June 30, 2016, respectively. Contributions to the pension plan from the School Board were \$413,542 and \$427,758 for the years

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**9. DEFINED BENEFIT PENSION PLANS , continued:**

ended June 30, 2017 and June 30, 2016, respectively.

**Net Pension Liability - VRS Retirement Plan**

The City and School Board's nonprofessional employees net pension liabilities were measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

At June 30, 2017, the School Board reported a liability of \$195,347,000 for its proportionate share of the Net Pension Liability. The 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. 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the School Board's proportion was 1.39% as compared to 1.43% at June 30, 2015.

For the year ended June 30, 2017, the School Board recognized pension expense of \$13,730,233. 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, 2017, 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	\$	\$ 6,330,000
Net difference between projected and actual earnings on pension plan investments	11,159,000	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,418,000	10,581,000
Employer contributions subsequent to the measurement date	15,562,773	
	<u>\$ 28,139,773</u>	<u>\$ 16,911,000</u>

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

\$15,562,773 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, 2018. 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	
2018	\$ (3,620,000)
2019	\$ (3,620,000)
2020	\$ 2,365,000
2021	\$ 1,350,000
2022	\$ (809,000)

**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, 2015, 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, 2016.

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, 2015 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:



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**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, 2015, 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, 2016.

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.

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**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, 2015 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, 2015, 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, 2016.

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.

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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, 2015 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

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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**  
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**9. DEFINED BENEFIT PENSION PLANS, continued:**

**Changes in Net Pension Liability - VRS Retirement Plan City**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2015	\$547,109,401	\$417,719,522	\$129,389,879
<b>Changes for the year:</b>			
Service cost	10,835,551		10,835,551
Interest	37,250,101		37,250,101
Differences between expected and actual experience	(5,909,803)		(5,909,803)
Contributions-employer		16,240,833	(16,240,833)
Contributions-employee		4,451,221	(4,451,221)
Net investment income		7,097,707	(7,097,707)
Benefit payments, including refunds of employee contributions	(29,930,211)	(29,930,211)	
Administrative expense		(261,143)	261,143
Other changes		(3,049)	3,049
Net changes	<u>12,245,638</u>	<u>(2,404,642)</u>	<u>14,650,280</u>
Balances at June 30, 2016	<u>\$559,355,039</u>	<u>\$415,314,880</u>	<u>\$144,040,159</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, 2015	\$ 30,320,742	\$ 25,429,059	\$ 4,891,683
<b>Changes for the year:</b>			
Service cost	390,637		390,637
Interest	2,054,913		2,054,913
Differences between expected and actual experience	(2,626,193)		(2,626,193)
Contributions-employer		427,758	(427,758)
Contributions-employee		238,049	(238,049)
Net investment income		410,877	(410,877)
Benefit payments, including refunds of employee contributions	(1,929,683)	(1,929,683)	
Administrative expenses		(16,323)	16,323
Other changes		(181)	181
Net changes	<u>(2,110,326)</u>	<u>(869,503)</u>	<u>(1,240,823)</u>
Balances at June 30, 2016	<u>\$ 28,210,416</u>	<u>\$ 24,559,556</u>	<u>\$ 3,650,860</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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	\$ 278,467,000	\$ 195,347,000	\$ 126,875,000

**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	\$ 213,087,692	\$ 144,040,159	\$ 86,376,918
Component Unit-School Board Nonprofessional Employees Plan's Net Pension Liability	\$ 6,667,019	\$ 3,650,860	\$ 1,108,212

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017, the City recognized pension expense of \$14,404,634. At June 30, 2017, 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	\$	\$ 6,242,488
Net difference between projected and actual earnings on pension plan investments	10,812,266	
Employer contributions subsequent to the measurement date	14,233,220	
Total	\$ 25,045,486	\$ 6,242,488

\$14,233,220 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, 2018. 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	
2018	\$ (2,594,588)
2019	(2,285,918)
2020	5,088,270
2021	4,362,014

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**9. DEFINED BENEFIT PENSION PLANS , continued:**

School Board Nonprofessional Employees

For the year ended June 30, 2017, the School Board recognized pension expense of (\$946,178). At June 30, 2017, 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	\$	\$ 1,331,912
Net difference between projected and actual earnings on pension plan investments	639,280	
Employer contributions subsequent to the measurement date	413,542	
Total	\$ 1,052,822	\$ 1,331,912

\$413,542 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, 2018. 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	
2018	\$ (1,339,752)
2019	(7,838)
2020	390,090
2021	264,868

**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 2016 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, 2017, the City reported a payable of \$1,040,187 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2016 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	\$ 39,566,353
Expenditures and other uses	<u>(36,787,220)</u>
Change in fund equity	2,779,133
Capital contributions	1,759,780
Net position, as adjusted, July 1, 2015	<u>8,664,054</u>
Net position, June 30, 2016	<u>\$ 13,202,967</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, 2017**

**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	\$	714,778
Buildings		25,043,465
Improvements		8,326,017
Less accumulated depreciation		<u>(23,060,917)</u>
Capital Assets, net	<u>\$</u>	<u>11,023,343</u>

A summary of future minimum rental payments under the operating leases at June 30, 2017 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Future Rental Income</u>
2018	\$ 931,448	\$ 290,598
2019	915,696	246,672
2020	868,251	184,817
2021	862,169	29,929
2022	711,405	2
2023-2027	1,567,902	10
2028-2032	161,413	10
2033-2037	-	10
2038-2039	-	4
	<u>\$ 6,018,284</u>	<u>\$ 752,052</u>

The City's rental expense and rental income for the year ended June 30, 2017 amounted to \$1,699,535 and \$231,958, 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 \$252,701 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, 2017**

**12. COMMITMENT AND CONTINGENCIES , continued:**

The future minimum rent payments under the operating lease with Harbour Center at June 30, 2017 is \$252,701 payable in 2018.

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:

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

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

All funds of the City participate in the program and make payments to the Risk Management and General Fund based on historical cost information. The unrestricted net position of \$12,566,304 at June 30, 2017 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 2017 , 2016 and 2015 were:

	Claims Liability July 1	Incurred Claims	Claims Payment	Claims Liability June 30
<b>Risk Management Fund</b>				
Fiscal Year 2017	\$ 4,806,137	\$ 3,024,925	\$ 905,938	\$ 6,925,124
Fiscal Year 2016	10,668,203	492,089	6,354,155	4,806,137
Fiscal Year 2015	2,153,808	10,228,672	1,714,277	10,668,203
<b>General Fund</b>				
Fiscal Year 2017	\$ 542,882	\$ 16,093,245	\$ 16,152,639	\$ 483,488
Fiscal Year 2016	575,585	15,445,558	15,478,261	542,882
Fiscal Year 2015	726,963	16,070,517	16,221,895	575,585

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017, 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, 2017 were as follows:

General Fund	\$ 1,363,180
Capital Projects Funds	15,216,980
Other Governmental Funds	581,717
Total Encumbrances	<u><u>\$ 17,161,877</u></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, 728 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 2017, 52 employees were participating in this plan and the cost was \$53,755. 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 2017, the City contributed \$2,798,872, or approximately 54.5% of total premiums for post-retirement health care benefits. Plan members receiving benefits contributed \$2,359,052 or approximately 45.5% of total premiums. Member contributions are 3% of covered payroll. The School Board contributed \$212,196 in fiscal year 2017 or approximately 41% of total premiums.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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 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 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	\$ 8,173,174	\$ 577,628
Interest on net OPEB obligation	1,763,636	381,800
Adjustment to ARC	(2,549,786)	(551,989)
Annual OPEB cost	7,387,024	407,439
Contributions made	(2,798,872)	(212,196)
Increase in OPEB obligation	4,588,152	195,243
Net OPEB obligation - beginning of year	44,090,904	9,544,998
Net OPEB obligation - end of year	<u>\$ 48,679,056</u>	<u>\$ 9,740,241</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 2015, 2016 and 2017 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, 2015	\$ 6,036,241	\$ 2,848,524	47%		\$ 40,096,145
June 30, 2016	7,034,728	3,039,969	43%		44,090,904
June 30, 2017	7,387,024	2,798,872	38%		48,679,056

Component Unit-School Board

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost		Net OPEB Obligation
			Contributed		
June 30, 2015	\$ 913,113	\$ 404,027	44%		\$ 10,149,729
June 30, 2016	391,086	995,817	255%		9,544,998
June 30, 2017	407,439	212,196	52%		9,740,241

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**13. POST-RETIREMENT HEALTH CARE BENEFITS , continued:**

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2017 for the City and School Board, the funded status of the plans were as follows:

	City	School Board
Actuarial accrued liability (AAL)	\$ 88,912,874	\$ 4,572,456
Actuarial value of plan assets		
Unfunded actuarial accrued liability (UAAL)	\$ 88,912,874	\$ 4,572,456
Funded ratio (actuarial value of plan assets/AAL)	0 %	0 %
Covered payroll (active plan members)	\$ 91,627,934	\$ 102,246,272
UAAL as a percentage of covered payroll	97 %	4 %

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, 2017 actuarial valuation for the City and School Board, the entry age normal actuarial cost method was used. 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 7.75% to an ultimate rate of 5% for 2023. 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 2020. For the School Board, healthcare cost trend rates ranged from an initial rate of 7.75% to an ultimate rate of 5% for 2023.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**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 2017, the City contributed \$488,308 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	\$ 848,248
Interest on net OPEB obligation	124,850
Adjustment to ARC	<u>(180,502)</u>
Annual OPEB cost	\$ 792,596
Contributions made	<u>(488,308)</u>
Increase in net OPEB obligation	304,288
Net OPEB obligation - beginning of year	\$ 3,121,240
Net OPEB obligation - end of year	<u>\$ 3,425,528</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS: , continued**

Annual OPEB Cost and Net OPEB Obligation: , 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 2015, 2016 and 2017 are as follows:

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 944,192	\$ 72,719	8 %	\$ 2,411,934
June 30, 2016	\$ 762,903	\$ 53,597	7 %	\$ 3,121,240
June 30, 2017	\$ 792,596	\$ 488,308	62 %	\$ 3,425,528

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2017 for the City, the funded status of the plan was as follows:

	City of Hampton OPEB LODA Benefits
Actuarial Accrued liability (AAL)	\$ 11,437,846
Actuarial value of plan assets	
Unfunded actuarial accrued liability (UAAL)	<u>\$ 11,437,846</u>
Funded ratio (actuarial value of plan assets/AAL)	0 %
Covered payroll (active plan members)	\$ 37,068,402
UAAL as a percentage of covered payroll	31 %

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



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS: , continued**

Funded Status and Funding Progress: , continued

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, 2017 actuarial valuation for the City, the entry age normal actuarial cost method was used. 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 7.75% for pre-medicare for to an ultimate rate of 5% for 2020.

**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, 2017, future lease receivable is \$3,960,238 from PWDC.

The minimum lease payments for future years are:

2018	\$ 990,059
2019	990,059
2020	990,059
2021	990,061
Total	<u><u>\$ 3,960,238</u></u>

As of June 30, 2017, the balance of unearned interest income associated with the PWDC is \$564,703.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**16. RESTATEMENT OF BEGINNING NET POSITION**

Beginning net position for the component unit Economic Development Authority (EDA) and Governmental Activities were restated for land that was contributed by the City to the EDA and accounted for incorrectly in a prior fiscal year. The change to correct this error had the following effect on the beginning net position as previously reported:

Economic Development Authority	
Net position, beginning of year	\$ 28,157,319
Contribution of Land	<u>5,667,500</u>
Net position, beginning of year, as restated	<u>\$ 33,824,819</u>
Governmental Activities	
Net position, beginning of year	\$ 578,071,751
Contribution of Land	<u>(5,667,500)</u>
Net position, beginning of year, as restated	<u>\$ 572,404,251</u>
Component Units	
Net position, beginning of year	\$ (168,714,744)
Contribution of Land	<u>5,667,500</u>
Net position, beginning of year, as restated	<u>\$ (163,047,244)</u>

**17. SUBSEQUENT EVENTS**

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

**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**

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

Notes to Schedule:

- 1) Benefit Changes: No benefit changes were enacted during fiscal years 2015 through 2017.
- 2) Changes in assumptions: No assumptions were changed during fiscal years 2015 through 2017.
- 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 7,100,148	\$ 8,880,839	\$ 8,880,839	\$ 6,628,122
Contributions in relation to the actuarially determined contribution	<u>7,100,148</u>	<u>8,880,839</u>	<u>8,880,839</u>	<u>6,628,122</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered payroll	\$ 2,806,674	\$ 5,335,759	\$ 6,085,814	\$ 10,188,093
Contributions as a percentage of covered payroll	252.97 %	166.44 %	145.93 %	65.06 %

Notes to Schedule

Valuation Date:

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

GAAP requires 10-year trend information. Fiscal year 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**

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

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

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

	2017	2016	2015
Actuarially determined contribution	\$ 413,542	\$ 427,758	\$ 411,361
Contributions in relation to the actuarially determined contribution	413,542	427,758	411,361
Contribution deficiency (excess)	\$	\$	\$
Covered payroll	\$ 3,822,015	\$ 3,957,058	\$ 3,805,375
Contributions as a percentage of covered payroll	10.82 %	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**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
School Board's proportion of the net pension liability	1.39 %	1.43 %	1.50 %
School Board's proportionate share of the net pension liability	\$ 195,347,000	\$ 180,096,000	\$ 181,847,000
School Board's covered payroll	\$ 105,320,099	\$ 105,909,421	\$ 110,084,974
School Board's proportionate share of the net pension liability as a percentage of its covered payroll	185.48 %	170.05 %	165.19 %
Plan fiduciary net position as a percentage of the total pension liability	75.60 %	74.56 %	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**

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

**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)
6/30/15		\$ 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 %
6/30/17		88,912,874	88,912,874	0 %	91,627,937	97 %

**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)
6/30/15		\$ 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 %
6/30/17		11,437,846	11,437,846	0 %	37,068,402	31 %

**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)
6/30/15		\$ 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 %
6/30/17		4,572,546	4,572,546	0 %	102,246,272	4 %

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**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**BALANCE SHEET**  
**June 30, 2017**

Assets:	
Cash and cash equivalents	\$ 82,324,504
Investments	13,942,470
Accounts receivables:	
Taxes (net of allowance for uncollectible of \$1,448,972)	8,197,564
Due from other governments	10,315,459
Other	1,192,367
Due from other funds	17,364,088
Due from component units	496
Inventories	34,326
Prepaid items	77,784
Total assets	<u>\$ 133,449,058</u>
Liabilities:	
Accounts payable	\$ 9,765,510
Accrued health insurance	11,801,363
Accrued liabilities	4,613,408
Due to other funds	3,397,391
Due to component units	223,637
Unearned revenues	123,253
Total liabilities	<u>29,924,562</u>
Deferred inflows of resources:	
Unavailable revenue-property taxes	6,278,882
Property taxes collected in advance	1,777,846
Total deferred inflows of resources	<u>8,056,728</u>
Fund balances:	
Nonspendable	112,110
Restricted	298,123
Committed	35,177,825
Assigned	5,549,229
Unassigned	54,330,481
Total fund balances	<u>95,467,768</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 133,449,058</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
<b>REVENUES</b>				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 40,126,893	\$ 55,849,188	\$ 54,828,110	\$ (1,021,078)
From the Federal government	9,158,987	9,158,987	10,200,338	1,041,351
Local taxes	253,245,464	237,791,535	238,210,204	418,669
Special assessments	5,711,979	5,711,979	4,765,156	(946,823)
Licenses and permits	1,296,144	1,296,144	1,449,748	153,604
Fines and forfeitures	1,640,293	1,640,293	1,560,319	(79,974)
Revenues from use of money and property	438,592	438,592	777,594	339,002
Charges for services	9,146,513	9,146,513	9,282,401	135,888
Recovered costs	906,000	906,000	953,500	47,500
Payment from component units	2,000,000	2,000,000	2,000,180	180
Miscellaneous	4,031,292	4,046,292	4,168,720	122,428
<b>Total revenues</b>	<b>327,702,157</b>	<b>327,985,523</b>	<b>328,196,270</b>	<b>210,747</b>
<b>EXPENDITURES</b>				
Current:				
General government	112,282,223	110,476,961	103,382,304	(7,094,657)
Public safety	50,039,013	53,301,734	52,550,351	(751,383)
Highways and streets	2,312,634	2,276,510	2,187,322	(89,188)
Health	2,612,415	2,603,937	2,396,124	(207,813)
Human services	21,105,378	21,513,939	20,556,062	(957,877)
Culture and recreation	12,853,413	13,212,400	12,632,230	(580,170)
Education	73,542,292	73,587,392	73,573,470	(13,922)
<b>Total expenditures</b>	<b>274,747,368</b>	<b>276,972,873</b>	<b>267,277,863</b>	<b>(9,695,010)</b>
Excess of revenues over expenditures	52,954,789	51,012,650	60,918,407	9,905,757
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	229,292	229,292	241,593	12,301
Transfers out	(59,467,737)	(65,274,274)	(61,090,241)	(4,184,033)
Other financing sources (uses), net	(59,238,445)	(65,044,982)	(60,848,648)	4,196,334
Net change in fund balances	(6,283,656)	(14,032,332)	69,759	\$ 14,102,091
<b>Appropriations from fund balance</b>	<b>6,283,656</b>	<b>13,671,846</b>		
<b>Appropriations - encumbrances</b>		<b>360,486</b>		
<b>Fund balance - July 1</b>			<b>95,398,009</b>	
<b>Fund balance - June 30</b>	<b>\$</b>	<b>\$</b>	<b>\$ 95,467,768</b>	

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

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

	Budget July 1, 2016	Net Changes	Final June 30, 2017	Actual	Variance Over (Under)
General property taxes:					
Real estate	\$ 126,358,482	\$	\$ 126,358,482	\$ 127,481,953	\$ 1,123,471
Public service	3,789,802		3,789,802	4,182,778	392,976
Personal property	40,980,281	(15,453,929)	25,526,352	25,032,769	(493,583)
Mobile homes	40,910		40,910	39,440	(1,470)
Machinery and tools	2,307,422		2,307,422	2,444,562	137,140
Delinquent taxes	450,000		450,000	436,916	(13,084)
Penalty	1,009,000		1,009,000	1,191,092	182,092
Total general property taxes	<u>174,935,897</u>	<u>(15,453,929)</u>	<u>159,481,968</u>	<u>160,809,510</u>	<u>1,327,542</u>
Other local taxes:					
Utility-electric and gas	5,000,000		5,000,000	4,977,998	(22,002)
Communications sales tax	8,941,603		8,941,603	8,649,072	(292,531)
Tobacco	4,550,000		4,550,000	4,427,288	(122,712)
Business license	12,390,000		12,390,000	12,304,137	(85,863)
Short-term rental	72,000		72,000	102,217	30,217
Sales and use	15,556,505		15,556,505	14,979,420	(577,085)
Recordation	1,450,000		1,450,000	1,316,435	(133,565)
Public right of way	550,383		550,383	504,380	(46,003)
Lodging and transit	3,600,000		3,600,000	3,722,662	122,662
Amusement	1,218,306		1,218,306	1,049,502	(168,804)
Meal	20,100,000		20,100,000	20,369,050	269,050
Motor vehicle	4,403,135		4,403,135	4,429,225	26,090
Bank stock	477,635		477,635	569,308	91,673
Total other local taxes	<u>78,309,567</u>		<u>78,309,567</u>	<u>77,400,694</u>	<u>(908,873)</u>
License, permits and privilege fees:					
Animal licenses	55,000		55,000	42,028	(12,972)
Street and taxi permits	168,000		168,000	204,381	36,381
Zoning and land use	280,000		280,000	415,859	135,859
Building permits	771,544		771,544	752,414	(19,130)
Miscellaneous	21,600		21,600	35,066	13,466
Total license, permits and privilege fees	<u>1,296,144</u>		<u>1,296,144</u>	<u>1,449,748</u>	<u>153,604</u>
Total fines and forfeitures	<u>1,640,293</u>		<u>1,640,293</u>	<u>1,560,319</u>	<u>(79,974)</u>
Special assessments:					
Peninsula Town Center CDA	4,377,463		4,377,463	3,421,848	(955,615)
H2O CDA	539,170		539,170	545,078	5,908
Coliseum BID	565,487		565,487	581,895	16,408
Downtown BID	183,983		183,983	170,395	(13,588)
Elizabeth Lakes	45,876		45,876	45,940	64
Total special assessments	<u>5,711,979</u>		<u>5,711,979</u>	<u>4,765,156</u>	<u>(946,823)</u>
Revenue from use of money and property:					
Interest on investments	220,000		220,000	612,217	392,217
Rental of property	33,016		33,016	20,869	(12,147)
Sale of materials and property	65,019		65,019	66,880	1,861
Vending machines	3,000		3,000	17,552	14,552
Parking fees	48,000		48,000	38,896	(9,104)
Billboard revenue	69,557		69,557	71,644	2,087
Net increase (decrease) in fair value of investments				(50,464)	(50,464)
Total revenue from use of money and property	<u>\$ 438,592</u>	<u>\$</u>	<u>\$ 438,592</u>	<u>\$ 777,594</u>	<u>\$ 339,002</u>

continued

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

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

	Budget July 1, 2016	Net Changes	Final June 30, 2017	Actual	Variance Over (Under)
Charges for services:					
Fees:					
Court costs	\$ 1,000	\$	\$ 1,000	\$ 1,216	\$ 216
Clerk	60,000		60,000	50,634	(9,366)
Court officers	26,000		26,000	32,058	6,058
Parks and Recreation	1,020,120		1,020,120	1,096,174	76,054
Youth, Education, and Family Services	1,363,833		1,363,833	1,623,566	259,733
Sheriff	55,376		55,376	64,614	9,238
Library	50,000		50,000	28,356	(21,644)
Jail admission fee	8,350		8,350	12,301	3,951
Ambulance services	3,919,061		3,919,061	3,741,286	(177,775)
Fire Prevention	205,600		205,600	211,064	5,464
Public education grant fees	200,000		200,000	212,842	12,842
Passport applications	50,000		50,000	34,565	(15,435)
Miscellaneous charges for services	203,213		203,213	223,304	20,091
Landfill host fees	800,000		800,000	760,578	(39,422)
Payment in lieu of taxes-Fort Monroe	983,960		983,960	983,960	
Boat license fee	200,000		200,000	205,883	5,883
Total charges for services	<u>9,146,513</u>		<u>9,146,513</u>	<u>9,282,401</u>	<u>135,888</u>
Miscellaneous revenue:					
Payment in lieu of taxes-other	75,000		75,000	97,840	22,840
Returned check charges	14,010		14,010	7,767	(6,243)
Unemployment fees	4,000		4,000	4,394	394
School reimbursement	1,534,539		1,534,539	1,508,818	(25,721)
Indirect cost	935,745		935,745	935,745	
Other	1,467,998	15,000	1,482,998	1,614,156	131,158
Total miscellaneous revenue	<u>4,031,292</u>	<u>15,000</u>	<u>4,046,292</u>	<u>4,168,720</u>	<u>122,428</u>
Recovered costs:					
Jail operations	722,460		722,460	665,004	(57,456)
Probation	8,500		8,500	9,144	644
NASA fire services	906,000		906,000	953,500	47,500
Miscellaneous	150,000		150,000	127,576	(22,424)
Total recovered costs	<u>1,786,960</u>		<u>1,786,960</u>	<u>1,755,224</u>	<u>(31,736)</u>
Noncategorical aid - state:					
Personal property tax relief reimbursement		15,453,929	15,453,929	15,453,929	
Vehicle rental tax	384,190		384,190	406,016	21,826
Railroad rolling stock tax	10,516		10,516	14,030	3,514
Mobile home titling tax	25,119		25,119	17,511	(7,608)
Taxes on deeds	394,000		394,000	346,774	(47,226)
State Share-FEMA				106,435	106,435
Total noncategorical aid - state	<u>813,825</u>	<u>15,453,929</u>	<u>16,267,754</u>	<u>16,344,695</u>	<u>76,941</u>
Shared expenses - state:					
Sheriff	6,531,245		6,531,245	6,157,744	(373,501)
Commonwealth Attorney	1,384,843		1,384,843	1,338,644	(46,199)
Commissioner of Revenue	297,629		297,629	293,704	(3,925)
Treasurer	274,743		274,743	254,382	(20,361)
Clerk of Courts	812,346		812,346	843,937	31,591
Registrar-election board	52,102		52,102	53,204	1,102
Total shared expenses - state	<u>\$ 9,352,908</u>	<u>\$</u>	<u>\$ 9,352,908</u>	<u>\$ 8,941,615</u>	<u>\$ (411,293)</u>

continued

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



**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

	Budget July 1, 2016	Net Changes	Final June 30, 2017	Actual	Variance Over (Under)
Categorical aid - state:					
Public assistance	\$ 5,370,600		\$ 5,370,600	\$ 4,905,403	\$ (465,197)
Police	6,732,202		6,732,202	6,733,488	1,286
Street and highway maintenance	15,902,855	268,366	16,171,221	16,171,221	
E911 wireless grant	409,000		409,000	447,433	38,433
Public library books	162,055		162,055	166,828	4,773
Virginia juvenile block grant	279,725		279,725	315,703	35,978
State funds - Healthy Families	222,763		222,763		(222,763)
Total categorical aid - state	<u>29,079,200</u>	<u>268,366</u>	<u>29,347,566</u>	<u>28,740,076</u>	<u>(607,490)</u>
Categorical aid - federal:					
Pass thru-public assistance	8,493,169		8,493,169	8,971,536	478,367
Pass thru-Healthy Families	417,318		417,318	630,890	213,572
Pass thru-Federal Rad. Emergency Response	20,500		20,500	1,125	(19,375)
Pass thru-Virginia Department of Transportation				4,977	4,977
Total categorical aid - federal	<u>8,930,987</u>		<u>8,930,987</u>	<u>9,608,528</u>	<u>677,541</u>
Noncategorical aid - federal					
Federal Share-FEMA				363,810	363,810
Indirect costs-total	228,000		228,000	228,000	
Total noncategorical aid - federal	<u>228,000</u>		<u>228,000</u>	<u>591,810</u>	<u>363,810</u>
Total revenues	<u>325,702,157</u>	<u>268,366</u>	<u>325,985,523</u>	<u>326,196,090</u>	<u>210,567</u>
Other credits:					
Component unit-EDA Fund				180	180
Transfer from Solid Waste Fund	116,000		116,000	116,000	
Transfer from Grants Fund				12,301	12,301
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>2,241,773</u>	<u>12,481</u>
Total revenues and transfers	<u>327,931,449</u>	<u>268,366</u>	<u>328,214,815</u>	<u>328,437,863</u>	<u>223,048</u>
Appropriations from fund balance	6,283,656	7,388,190	13,671,846	13,671,846	
Appropriations-encumbrances				1,721,603	1,721,603
Total appropriations	<u>6,283,656</u>	<u>7,388,190</u>	<u>13,671,846</u>	<u>15,393,449</u>	<u>1,721,603</u>
Total revenues and other credits	<u>\$ 334,215,105</u>	<u>\$ 7,656,556</u>	<u>\$ 341,886,661</u>	<u>\$ 343,831,312</u>	<u>\$ 1,944,651</u>

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

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
For the Year Ended June 30, 2017**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget	Net Changes	Final	Personal	Operating	Capital Outlay		Total
	July 1, 2016		June 30, 2017	Services	Expenditures			
General Government								
Legislative:								
Municipal Council	\$ 486,225	\$ 47,307	\$ 533,532	\$ 378,964	\$ 148,995	\$ -	\$ 527,959	\$ 5,573
Legislative - Total	486,225	47,307	533,532	378,964	148,995	-	527,959	5,573
Executive:								
City Manager	1,306,553	75,342	1,381,895	1,219,260	100,027	4,894	1,324,181	57,714
311 Customer Call Center	517,181	42,336	559,517	446,130	47,199	-	493,329	66,188
Citizens Unity Commission	133,342	(10,199)	123,143	89,446	18,492	2,007	109,945	13,198
Marketing, INC	747,480	(54,043)	693,437	339,135	317,861	1,857	658,853	34,584
Internal Audit	175,869	11,554	187,423	162,102	15,992	-	178,094	9,329
Executive - Total	2,880,425	64,990	2,945,415	2,256,073	499,571	8,758	2,764,402	181,013
City Attorney:								
Law-City Attorney	1,084,700	(5,945)	1,078,755	948,530	92,895	6,612	1,048,037	30,718
City Attorney - Total	1,084,700	(5,945)	1,078,755	948,530	92,895	6,612	1,048,037	30,718
Human Resources -Total	734,085	75,006	809,091	644,447	112,353	6,362	763,162	45,929
Judicial:								
Clerk of Courts	971,396	112,736	1,084,132	789,053	121,950	-	911,003	173,129
Circuit Court	370,201	20,076	390,277	295,287	34,903	-	330,190	60,087
General District Court	218,262	(22,740)	195,522	37,848	90,995	-	128,843	66,679
District Court-J.D.R.	49,101	38,532	87,633	-	35,468	49,381	84,849	2,784
Commonwealth Attorney	1,710,564	88,348	1,798,912	1,616,056	125,040	3,353	1,744,449	54,463
City Sheriff-Administration	1,792,301	(78,916)	1,713,385	1,283,194	258,380	-	1,541,574	171,811
City Sheriff-Jail	7,128,501	774,125	7,902,626	5,633,382	2,084,688	148,700	7,866,770	35,856
Court Service Unit	1,683,091	382,312	2,065,403	214,068	1,628,872	674	1,843,614	221,789
Magistrates Office	40,916	(5,000)	35,916	9,550	5,806	-	15,356	20,560
Judicial - Total	13,964,333	1,309,473	15,273,806	9,878,438	4,386,102	202,108	14,466,648	807,158

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

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
For the Year Ended June 30, 2017**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Operating			
	July 1, 2016	Net Changes	June 30, 2017	Services	Expenditures	Capital Outlay Total		
General Government, concluded:								
Boards and commissions:								
Community Development	\$ 3,154,800	\$ (43,487)	\$ 3,111,313	\$ 2,608,460	\$ 421,298	\$ 76,256	\$ 3,106,014	\$ 5,299
Elections Board	161,119	51,000	212,119	88,387	109,559	-	197,946	14,173
Registrar	221,976	506	222,482	204,438	8,235	-	212,673	9,809
Development	1,004,200	339,724	1,343,924	831,408	233,980	-	1,065,388	278,536
Boards and Commissions - Total	<u>4,542,095</u>	<u>347,743</u>	<u>4,889,838</u>	<u>3,732,693</u>	<u>773,072</u>	<u>76,256</u>	<u>4,582,021</u>	<u>307,817</u>
Agriculture - Extension Agent - Total	<u>61,866</u>	<u>14,521</u>	<u>76,387</u>	<u>43,065</u>	<u>23,141</u>	<u>-</u>	<u>66,206</u>	<u>10,181</u>
Nondepartmental:								
Nondepartmental	26,823,897	401,055	27,224,952	658,996	24,740,659	-	25,399,655	1,825,297
Civic and community support	911,176	14,795	925,971	-	925,971	-	925,971	-
Other	2,677,763	(730,122)	1,947,641	-	1,349,048	-	1,349,048	598,593
Nondepartmental - Total	<u>30,412,836</u>	<u>(314,272)</u>	<u>30,098,564</u>	<u>658,996</u>	<u>27,015,678</u>	<u>-</u>	<u>27,674,674</u>	<u>2,423,890</u>
Finance:								
Commissioner of Revenue	1,261,036	57,577	1,318,613	1,099,404	186,652	13,196	1,299,252	19,361
Assessor of Real Estate	1,132,915	26,876	1,159,791	1,013,064	127,098	4,948	1,145,110	14,681
City Treasurer	1,766,312	(58,825)	1,707,487	1,187,875	439,333	3,992	1,631,200	76,287
Consolidated Procurement	433,707	6,474	440,181	369,494	37,663	-	407,157	33,024
Independent Auditors	200,475	9,122	209,597	-	200,625	-	200,625	8,972
Finance	807,762	342,435	1,150,197	725,968	75,453	6,814	808,235	341,962
Information Technology	3,729,396	(12,891)	3,716,505	1,141,329	1,899,750	550,243	3,591,322	125,183
Finance - Total	<u>9,331,603</u>	<u>370,768</u>	<u>9,702,371</u>	<u>5,537,134</u>	<u>2,966,574</u>	<u>579,193</u>	<u>9,082,901</u>	<u>619,470</u>
Retirement and Employee Benefits Total	<u>43,028,612</u>	<u>(4,184,382)</u>	<u>38,844,230</u>	<u>1,758,196</u>	<u>34,471,876</u>	<u>-</u>	<u>36,230,072</u>	<u>2,614,158</u>
Public Works:								
Administration	\$ 217,087	\$ 7,846	\$ 224,933	\$ 190,553	\$ 22,846	\$ -	\$ 213,399	\$ 11,534
Engineering	617,180	38,472	655,652	590,305	60,352	3,382	654,039	1,613
Property Maintenance	4,198,997	409,624	4,608,621	1,238,415	3,345,361	3,730	4,587,506	21,115
Parking Facilities	722,179	13,587	735,766	32,784	688,494	-	721,278	14,488
Public Works - Total	<u>5,755,443</u>	<u>469,529</u>	<u>6,224,972</u>	<u>2,052,057</u>	<u>4,117,053</u>	<u>7,112</u>	<u>6,176,222</u>	<u>48,750</u>

Continued

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

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
For the Year Ended June 30, 2017**

	Appropriations		Expenditures				Variance Under (Over)	
	Budget July 1, 2016	Net Changes	Final June 30, 2017	Personal Services	Operating Expenditures	Capital Outlay		Total
<b>General Government - Total</b>	112,282,223	(1,805,262)	110,476,961	27,888,593	74,607,310	886,401	103,382,304	7,094,657
<b>Public Safety:</b>								
Police Division	23,219,012	1,360,593	24,579,605	19,485,218	3,799,037	731,320	24,015,575	564,030
Traffic Engineering	2,924,132	34,580	2,958,712	516,410	2,406,394	5,763	2,928,567	30,145
Fire Division	20,089,849	1,773,238	21,863,087	17,556,060	4,276,372	22,002	21,854,434	8,653
Emergency Management	297,164	8,630	305,794	231,765	41,605	-	273,370	32,424
E911	2,622,488	36,449	2,658,937	2,111,983	475,412	62,729	2,650,124	8,813
Animal Control	463,344	(16,345)	446,999	255,534	142,977	2,305	400,816	46,183
Youth Violence Prevention	423,024	65,576	488,600	347,374	80,091	-	427,465	61,135
<b>Public Safety - Total</b>	<b>\$ 50,039,013</b>	<b>\$ 3,262,721</b>	<b>\$ 53,301,734</b>	<b>\$ 40,504,344</b>	<b>\$ 11,221,888</b>	<b>\$ 824,119</b>	<b>\$ 52,550,351</b>	<b>\$ 751,383</b>
<b>Highways and Streets-Total</b>	2,312,634	(36,124)	2,276,510	906,518	1,201,823	78,981	2,187,322	89,188

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

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
For the Year Ended June 30, 2017**

	Appropriations			Expenditures				Variance Under (Over)
	Budget	Net Changes	Final	Personal	Other	Capital Outlay	Total	
	July 1, 2016		June 30, 2017	Services	Expenditures			
<b>Health:</b>								
Preventive Medicine	\$ 1,259,122	\$ 39,894	\$ 1,299,016	\$ -	\$ 1,281,382	\$ -	\$ 1,281,382	\$ 17,634
Drainage Maintenance	1,353,293	(48,372)	1,304,921	581,255	528,195	5,292	1,114,742	190,179
<b>Health - Total</b>	<b>2,612,415</b>	<b>(8,478)</b>	<b>2,603,937</b>	<b>581,255</b>	<b>1,809,577</b>	<b>5,292</b>	<b>2,396,124</b>	<b>207,813</b>
<b>Human Services:</b>								
Administration	1,242,828	11,692,140	12,934,968	7,621,681	4,536,304	77,072	12,235,057	699,911
Public Assistance	7,918,070	(7,349,957)	568,113	-	464,098	-	464,098	104,015
Purchase of Services	8,373,654	(4,218,440)	4,155,214	-	4,087,839	-	4,087,839	67,375
Youth, Education and Family Services	3,570,826	284,818	3,855,644	2,942,386	769,130	57,552	3,769,068	86,576
<b>Human Services - Total</b>	<b>21,105,378</b>	<b>408,561</b>	<b>21,513,939</b>	<b>10,564,067</b>	<b>9,857,371</b>	<b>134,624</b>	<b>20,556,062</b>	<b>957,877</b>
<b>Culture and Recreation:</b>								
Recreation	4,380,823	287,069	4,667,892	2,908,153	1,507,725	30,683	4,446,561	221,331
Parks	5,843,449	53,879	5,897,328	2,110,503	3,504,460	8,860	5,623,823	273,505
Conventions and Tourism	2,283,237	4,431	2,287,668	761,277	1,432,908	18,578	2,212,763	74,905
Hampton History Museum	345,904	13,608	359,512	276,562	72,521	-	349,083	10,429
<b>Culture and Recreation - Total</b>	<b>12,853,413</b>	<b>358,987</b>	<b>13,212,400</b>	<b>6,056,495</b>	<b>6,517,614</b>	<b>58,121</b>	<b>12,632,230</b>	<b>580,170</b>

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

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
For the Year Ended June 30, 2017**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Other			
	July 1, 2016	Net Changes	June 30, 2017	Services	Expenditures	Capital Outlay		
						Total		
<b>Education:</b>								
School Operations	71,471,416	-	71,471,416	-	71,471,416	-	71,471,416	-
Public Library	2,070,876	45,100	2,115,976	1,375,864	716,099	10,091	2,102,054	13,922
<b>Education - Total</b>	<b>73,542,292</b>	<b>45,100</b>	<b>73,587,392</b>	<b>1,375,864</b>	<b>72,187,515</b>	<b>10,091</b>	<b>73,573,470</b>	<b>13,922</b>
<b>Total expenditures</b>	<b>274,747,368</b>	<b>2,225,505</b>	<b>276,972,873</b>	<b>87,877,136</b>	<b>177,403,098</b>	<b>1,997,629</b>	<b>267,277,863</b>	<b>9,695,010</b>
<b>Operating Transfers Out:</b>								
Capital Projects Fund	15,913,623	5,506,539	21,420,162	-	18,427,928	-	18,427,928	2,992,234
Enterprise Funds	8,056,158	128,122	8,184,280	-	8,184,278	-	8,184,278	2
Special Revenue Funds	2,134,984	171,876	2,306,860	-	2,030,172	-	2,030,172	276,688
Debt Service Fund	33,362,972	-	33,362,972	-	32,447,863	-	32,447,863	915,109
<b>Transfers - Total</b>	<b>59,467,737</b>	<b>5,806,537</b>	<b>65,274,274</b>	<b>-</b>	<b>61,090,241</b>	<b>-</b>	<b>61,090,241</b>	<b>4,184,033</b>
<b>Total expenditures and transfers</b>	<b>\$ 334,215,105</b>	<b>\$ 8,032,042</b>	<b>\$ 342,247,147</b>	<b>\$ 87,877,136</b>	<b>\$ 238,493,339</b>	<b>\$ 1,997,629</b>	<b>\$ 328,368,104</b>	<b>\$ 13,879,043</b>

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

**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2017**

	Federal Grants	Community Development	Stormwater Management	Pembroke Complex	Law Library	Total Non-major Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$	\$ 142,577	\$ 12,760,936	\$ 18,680	\$ 65,300	\$ 12,987,493
Accounts receivables:						
Due from other governments	2,435,317	392,816				2,828,133
Other	331,161	1,063	442,527		46	774,797
Due from other funds	469,246					469,246
<b>Total assets</b>	<b>\$ 3,235,724</b>	<b>\$ 536,456</b>	<b>\$ 13,203,463</b>	<b>\$ 18,680</b>	<b>\$ 65,346</b>	<b>\$ 17,059,669</b>
<b>Liabilities:</b>						
Accounts payable	\$ 997,434	\$ 158,683	\$ 25,708	\$ 17,381	\$ 3,670	\$ 1,202,876
Accrued liabilities	61,452	8,023	63,297	1,265		134,037
Due to other funds	622,807	215,000	804,725			1,642,532
<b>Total liabilities</b>	<b>1,681,693</b>	<b>381,706</b>	<b>893,730</b>	<b>18,646</b>	<b>3,670</b>	<b>2,979,445</b>
<b>Deferred inflows of resources:</b>						
Unavailable revenue-program income		154,750				154,750
Unavailable revenue-stormwater fees			442,527			442,527
<b>Total deferred inflows of resources</b>		<b>154,750</b>	<b>442,527</b>			<b>597,277</b>
<b>Fund balances:</b>						
Restricted	1,465,202		11,867,206	34	61,676	13,394,118
Assigned	88,829					88,829
<b>Total fund balances</b>	<b>1,554,031</b>		<b>11,867,206</b>	<b>34</b>	<b>61,676</b>	<b>13,482,947</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,235,724</b>	<b>\$ 536,456</b>	<b>\$ 13,203,463</b>	<b>\$ 18,680</b>	<b>\$ 65,346</b>	<b>\$ 17,059,669</b>

**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2017**

	<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>	
<b>REVENUES</b>						
Intergovernmental revenues:						
From the Commonwealth of Virginia	\$ 9,929,529					\$ 9,929,529
From the Federal government	2,660,833	1,595,962				4,256,795
Revenues from use of money and property				395,103	413	395,516
Charges for services			8,865,462			8,865,462
Miscellaneous	787,990	132,595			40,674	961,259
<b>Total revenues</b>	<u>13,378,352</u>	<u>1,728,557</u>	<u>8,865,462</u>	<u>395,103</u>	<u>41,087</u>	<u>24,408,561</u>
<b>EXPENDITURES</b>						
Current:						
General government	554,087	1,728,557		395,072	38,114	2,715,830
Public safety	4,859,754					4,859,754
Sanitation			5,484,018			5,484,018
Human services	9,858,484					9,858,484
Culture and recreation	382,519					382,519
<b>Total expenditures</b>	<u>15,654,844</u>	<u>1,728,557</u>	<u>5,484,018</u>	<u>395,072</u>	<u>38,114</u>	<u>23,300,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,276,492)</u>		<u>3,381,444</u>	<u>31</u>	<u>2,973</u>	<u>1,107,956</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	2,132,287					2,132,287
Transfers out	(12,301)		(2,655,073)			(2,667,374)
<b>Other financing sources (uses), net</b>	<u>2,119,986</u>		<u>(2,655,073)</u>			<u>(535,087)</u>
<b>Net change in fund balances</b>	(156,506)		726,371	31	2,973	572,869
<b>Fund balances, beginning of year</b>	<u>1,710,537</u>		<u>11,140,835</u>	<u>3</u>	<u>58,703</u>	<u>12,910,078</u>
<b>Fund balances, end of year</b>	<u>\$ 1,554,031</u>	<u>\$</u>	<u>\$ 11,867,206</u>	<u>\$ 34</u>	<u>\$ 61,676</u>	<u>\$ 13,482,947</u>



**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2017**

	Business-Type Activities - Non-Major Enterprise Funds				
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 7,131,299	\$ 800	\$ 5,682,250	\$ 4,531,331	\$ 17,345,680
Accounts receivable, net	231,956	8,685	2,984,043	238,118	3,462,802
Due from component units			33,255		33,255
Inventories	63,175	31,701			94,876
Total current assets	<u>7,426,430</u>	<u>41,186</u>	<u>8,699,548</u>	<u>4,769,449</u>	<u>20,936,613</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	7,694,359	755,532	2,971	18,961,554	27,414,416
Computer software	22,500			225,843	248,343
Equipment	882,546	672,623	11,703,938	4,851,600	18,110,707
Landfill			3,865,986		3,865,986
Construction in progress				15,685	15,685
Less accumulated depreciation	<u>(15,812,694)</u>	<u>(1,991,535)</u>	<u>(12,440,194)</u>	<u>(18,100,253)</u>	<u>(48,344,676)</u>
Net capital assets	<u>5,504,776</u>	<u>2,727,204</u>	<u>4,077,889</u>	<u>5,990,298</u>	<u>18,300,167</u>
Total noncurrent assets	<u>5,504,776</u>	<u>2,727,204</u>	<u>4,077,889</u>	<u>5,990,298</u>	<u>18,300,167</u>
Total assets	<u>\$ 12,931,206</u>	<u>\$ 2,768,390</u>	<u>\$ 12,777,437</u>	<u>\$ 10,759,747</u>	<u>\$ 39,236,780</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	<u>378,652</u>	<u>75,894</u>	<u>596,499</u>	<u>502,183</u>	<u>1,553,228</u>
Total deferred outflows of resources	<u>378,652</u>	<u>75,894</u>	<u>596,499</u>	<u>502,183</u>	<u>1,553,228</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 297,341	\$ 15,367	\$ 899,712	\$ 57,583	\$ 1,270,003
Accrued leave	36,590	9,506	111,442	55,518	213,056
Due to other funds	11,799	2,116,842			2,128,641
Unearned revenues	1,901,203				1,901,203
Current portion of long-term debt				411,834	411,834
Other liabilities	<u>243,355</u>	<u>15,317</u>	<u>46,995</u>	<u>32,057</u>	<u>337,724</u>
Total current liabilities	<u>2,490,288</u>	<u>2,157,032</u>	<u>1,058,149</u>	<u>556,992</u>	<u>6,262,461</u>
Noncurrent liabilities:					
Accrued leave	131,496	29,023	98,561	72,231	331,311
Net pension liability	2,402,093	436,476	3,617,888	3,644,294	10,100,751
Bonds payable				2,432,911	2,432,911
Total noncurrent liabilities	<u>2,533,589</u>	<u>465,499</u>	<u>3,716,449</u>	<u>6,149,436</u>	<u>12,864,973</u>
Total liabilities	<u>5,023,877</u>	<u>2,622,531</u>	<u>4,774,598</u>	<u>6,706,428</u>	<u>19,127,434</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	<u>90,234</u>	<u>18,916</u>	<u>145,216</u>	<u>111,204</u>	<u>365,570</u>
Total deferred inflows of resources	<u>90,234</u>	<u>18,916</u>	<u>145,216</u>	<u>111,204</u>	<u>365,570</u>
<b>NET POSITION</b>					
Net investment in capital assets	5,504,776	2,727,204	4,077,889	3,145,553	15,455,422
Unrestricted	<u>2,690,971</u>	<u>(2,524,367)</u>	<u>4,376,233</u>	<u>1,298,745</u>	<u>5,841,582</u>
Total net position	<u>\$ 8,195,747</u>	<u>\$ 202,837</u>	<u>\$ 8,454,122</u>	<u>\$ 4,444,298</u>	<u>\$ 21,297,004</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, 2017**

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
<b>Operating revenues:</b>					
Charges for services	\$ 9,044,880	\$ 565,657	\$ 13,100,583	\$ 7,575,980	\$ 30,287,100
Other	2,040				2,040
Total operating revenues	<u>9,046,920</u>	<u>565,657</u>	<u>13,100,583</u>	<u>7,575,980</u>	<u>30,289,140</u>
<b>Operating expenses:</b>					
Personal services	1,425,735	322,675	2,385,220	1,790,340	5,923,970
Fringe benefits	860,259	171,980	1,326,278	1,152,691	3,511,208
Promoters fees	3,526,323				3,526,323
City-sponsored events	1,114,665				1,114,665
Cost of goods sold	278,713	36,121			314,834
Utilities	247,594	54,441	1,252	436,437	739,724
Insurance	218,358	21,173	91,026	315,211	645,768
Operating supplies	169,570	61,615	114,465	302,763	648,413
Equipmental rental	15,552	61,668		7,624	84,844
Equipment and building repairs	196,183	8,576	2,022,240	1,176,049	3,403,048
Telephone and postage	77,665	8,053	8,325	15,097	109,140
General expense	1,116,077	1,774	510,672	56,605	1,685,128
Landfill costs			3,189,073	609,215	3,798,288
Contractual services	698,347	40,379	438,879	192,638	1,370,243
Indirect cost			356,470	218,000	574,470
Depreciation and amortization	597,764	89,864	1,175,068	808,913	2,671,609
Total operating expenses	<u>10,542,805</u>	<u>878,319</u>	<u>11,618,968</u>	<u>7,081,583</u>	<u>30,121,675</u>
Operating income (loss)	<u>(1,495,885)</u>	<u>(312,662)</u>	<u>1,481,615</u>	<u>494,397</u>	<u>167,465</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income				26,038	26,038
Interest and fiscal charges				(119,769)	(119,769)
Gain on disposal of capital assets			1,813		1,813
Total nonoperating revenues (expenses), net			<u>1,813</u>	<u>(93,731)</u>	<u>(91,918)</u>
Income (loss) before transfers	(1,495,885)	(312,662)	1,483,428	400,666	75,547
Transfers in(out)	826,102		(171,000)		655,102
<b>Change in net position</b>	(669,783)	(312,662)	1,312,428	400,666	730,649
<b>Net position, beginning of year</b>	<u>8,865,530</u>	<u>515,499</u>	<u>7,141,694</u>	<u>4,043,632</u>	<u>20,566,355</u>
<b>Net position, end of year</b>	<u>\$ 8,195,747</u>	<u>\$ 202,837</u>	<u>\$ 8,454,122</u>	<u>\$ 4,444,298</u>	<u>\$ 21,297,004</u>

**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2017**

	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 10,708,616	\$ 566,128	\$ 13,139,214	\$ 7,580,589	\$ 31,994,547
Cash payments to suppliers for goods and services	(8,146,689)	(244,678)	(6,997,632)	(4,185,494)	(19,574,493)
Cash payments to employees for services	(1,415,813)	(321,450)	(2,396,985)	(1,819,717)	(5,953,965)
Net cash provided by operating activities	<u>1,146,114</u>	<u>-</u>	<u>3,744,597</u>	<u>1,575,378</u>	<u>6,466,089</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Cash received from other funds	826,102				826,102
Cash paid from other funds			(171,000)		(171,000)
Net cash provided by (used in) noncapital financing activities	<u>826,102</u>		<u>(171,000)</u>		<u>655,102</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(81,032)		(768,438)	(216,582)	(1,066,052)
Sale of capital assets			8,365		8,365
Principal paid on revenue bond maturities and long-term debt				(391,848)	(391,848)
Interest paid on revenue bonds and long-term debt				(159,692)	(159,692)
Net cash used in capital and related financing activities	<u>(81,032)</u>		<u>(760,073)</u>	<u>(768,122)</u>	<u>(1,609,227)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments				26,038	26,038
Net cash provided by investing activities				<u>26,038</u>	<u>26,038</u>
Net increase in cash and cash equivalents	1,891,184		2,813,524	833,294	5,538,002
Cash and cash equivalents, July 1	<u>5,240,115</u>	<u>800</u>	<u>2,868,726</u>	<u>3,698,037</u>	<u>11,807,678</u>
Cash and cash equivalents, June 30	<u>\$ 7,131,299</u>	<u>\$ 800</u>	<u>\$ 5,682,250</u>	<u>\$ 4,531,331</u>	<u>\$ 17,345,680</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	<u>\$ (1,495,885)</u>	<u>\$ (312,662)</u>	<u>\$ 1,481,615</u>	<u>\$ 494,397</u>	<u>\$ 167,465</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization expense	597,764	89,864	1,175,068	808,913	2,671,609
Decrease (increase) in:					
Accounts receivable	(17,291)	470	140,491	4,610	128,280
Due from component units			66,462		66,462
Inventories	8,453	(6,999)			1,454
Increase (decrease) in:					
Accounts payable	8,872	10,211	600,481	19,990	639,554
Accrued leave	(1,989)	1,291	9,646	(7,467)	1,481
Due to other funds	11,799	161,997	(3,973)	(8)	169,815
Other liabilities	65,230	378	10,051	3,369	79,028
Unearned revenue	1,678,986				1,678,986
Net pension liability reported as operating activity	444,377	106,588	630,735	362,363	1,544,063
Deferred outflows & inflows related to pensions reported as operating activity	(166,113)	(51,072)	(334,517)	(85,510)	(637,212)
Long-term accrued leave reported as operating activity	11,911	(66)	(31,462)	(25,279)	(44,896)
Total adjustments	<u>2,641,999</u>	<u>312,662</u>	<u>2,262,982</u>	<u>1,080,981</u>	<u>6,298,624</u>
Net cash provided by operating activities	<u>\$ 1,146,114</u>	<u>\$ -</u>	<u>\$ 3,744,597</u>	<u>\$ 1,575,378</u>	<u>\$ 6,466,089</u>

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**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2017**

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,271,387	\$ 961,618	\$ 20,050,149	\$ 321,833	\$ 22,604,987
Cash with fiscal agent			230,052		230,052
Accounts receivable, net	887	6,685	13,814	25,178	46,564
Due from component units		121,759			121,759
Prepaid items			55,098	87,895	142,993
Inventories		69,639			69,639
Total current assets	<u>1,272,274</u>	<u>1,159,701</u>	<u>20,349,113</u>	<u>434,906</u>	<u>23,215,994</u>
Noncurrent assets:					
Capital assets:					
Improvements other than buildings		426,985			426,985
Computer software	14,400	171,225		30,150	215,775
Equipment	40,283,051	759,120	23,896	1,789,772	42,855,839
Less accumulated depreciation	<u>(21,613,088)</u>	<u>(868,004)</u>	<u>(23,896)</u>	<u>(1,091,754)</u>	<u>(23,596,742)</u>
Total noncurrent assets (net capital assets)	<u>18,684,363</u>	<u>489,326</u>		<u>728,168</u>	<u>19,901,857</u>
Total assets	<u>\$ 19,956,637</u>	<u>\$ 1,649,027</u>	<u>\$ 20,349,113</u>	<u>\$ 1,163,074</u>	<u>\$ 43,117,851</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions		358,194	89,772	80,154	528,120
Total deferred outflows of resources		<u>358,194</u>	<u>89,772</u>	<u>80,154</u>	<u>528,120</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 125,498	\$ 688,738	\$ 370,981	\$ 45,843	\$ 1,231,060
Accrued leave		53,730	16,890	9,185	79,805
Due to other funds		20,731			20,731
Current portion of long-term debt	895,178		5,148,396		6,043,574
Other liabilities		29,981	6,663	3,128	39,772
Total current liabilities	<u>1,020,676</u>	<u>793,180</u>	<u>5,542,930</u>	<u>58,156</u>	<u>7,414,942</u>
Noncurrent liabilities:					
Claims payable			1,776,728		1,776,728
Accrued leave		78,985	14,256	8,251	101,492
Obligations under capital leases	950,070				950,070
Net pension liability		2,060,027	516,292	460,976	3,037,295
Total noncurrent liabilities	<u>950,070</u>	<u>2,139,012</u>	<u>2,307,276</u>	<u>469,227</u>	<u>5,865,585</u>
Total liabilities	<u>1,970,746</u>	<u>2,932,192</u>	<u>7,850,206</u>	<u>527,383</u>	<u>13,280,527</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	-	89,279	22,375	19,978	131,632
Total deferred inflows of resources	<u>-</u>	<u>89,279</u>	<u>22,375</u>	<u>19,978</u>	<u>131,632</u>
<b>NET POSITION</b>					
Net investment in capital assets	16,839,115	489,326		728,168	18,056,609
Unrestricted	<u>1,146,776</u>	<u>(1,503,576)</u>	<u>12,566,304</u>	<u>(32,301)</u>	<u>12,177,203</u>
Total net position(deficit)	<u>\$ 17,985,891</u>	<u>\$ (1,014,250)</u>	<u>\$ 12,566,304</u>	<u>\$ 695,867</u>	<u>\$ 30,233,812</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, 2017**

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
<b>Operating revenues:</b>					
Charges for services	\$ 2,344,836	\$ 7,493,551	\$ 9,113,142	\$ 2,315,954	\$ 21,267,483
Other		3,909			3,909
Total operating revenues	<u>2,344,836</u>	<u>7,497,460</u>	<u>9,113,142</u>	<u>2,315,954</u>	<u>21,271,392</u>
<b>Operating expenses:</b>					
Personal services		1,306,317	321,185	222,857	1,850,359
Fringe benefits		591,211	166,413	172,445	930,069
Cost of goods sold		4,991,391			4,991,391
Utilities		44,437			44,437
Insurance		47,161	2,362,956	3,198	2,413,315
Operating supplies	365	157,034	3,179	153,579	314,157
Equipment rental	76,875	11,270	32,191		120,336
Equipment and building repairs		170,545	934	342,253	513,732
Telephone and postage		19,597	6,352	994,607	1,020,556
General expense		56,537	103,842	84,640	245,019
Claims			5,894,994		5,894,994
Contractual services		267,759	509,140	517,781	1,294,680
Depreciation and amortization	2,384,084	56,639	183	136,991	2,577,897
Total operating expenses	<u>2,461,324</u>	<u>7,719,898</u>	<u>9,401,369</u>	<u>2,628,351</u>	<u>22,210,942</u>
Operating loss	<u>(116,488)</u>	<u>(222,438)</u>	<u>(288,227)</u>	<u>(312,397)</u>	<u>(939,550)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income	9,114		126,016	2,314	137,444
Interest and fiscal charges	(58,073)				(58,073)
Other	42,655	53,332			95,987
Gain(loss) on disposal of capital assets	57,864	(1,042)			56,822
Total nonoperating revenues, net	<u>51,560</u>	<u>52,290</u>	<u>126,016</u>	<u>2,314</u>	<u>232,180</u>
Loss before transfers and capital contributions	<u>(64,928)</u>	<u>(170,148)</u>	<u>(162,211)</u>	<u>(310,083)</u>	<u>(707,370)</u>
Capital contributions	76,298	21,055			97,353
Transfers in(out)	<u>(67,303)</u>	<u>67,303</u>			
<b>Change in net position</b>	<u>(55,933)</u>	<u>(81,790)</u>	<u>(162,211)</u>	<u>(310,083)</u>	<u>(610,017)</u>
<b>Net position(deficit), beginning of year</b>	<u>18,041,824</u>	<u>(932,460)</u>	<u>12,728,515</u>	<u>1,005,950</u>	<u>30,843,829</u>
<b>Net position(deficit), end of year</b>	<u>\$ 17,985,891</u>	<u>\$ (1,014,250)</u>	<u>\$ 12,566,304</u>	<u>\$ 695,867</u>	<u>\$ 30,233,812</u>

**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2017**

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 2,387,490	\$ 7,673,967	\$ 9,360,397	\$ 2,307,907	\$ 21,729,761
Cash payments to suppliers for goods and services	(77,240)	(5,826,482)	(7,445,089)	(2,346,738)	(15,695,549)
Cash payments to employees for services		(1,886,488)	(319,315)	(225,736)	(2,431,539)
Net cash provided by (used in) operating activities	<u>2,310,250</u>	<u>(39,003)</u>	<u>1,595,993</u>	<u>(264,567)</u>	<u>3,602,673</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Cash received from other funds	(132,399)	67,303			(65,096)
Net cash provided by (used in) noncapital financing activities	<u>(132,399)</u>	<u>67,303</u>			<u>(65,096)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(1,982,418)	(24,288)		(85,961)	(2,092,667)
Principal paid on revenue bond maturities and long-term debt	(874,059)				(874,059)
Interest paid on revenue bonds and long-term debt	(58,073)				(58,073)
Sale of capital assets	134,995				134,995
Net cash used in capital and related financing activities	<u>(2,779,555)</u>	<u>(24,288)</u>		<u>(85,961)</u>	<u>(2,889,804)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	8,856		118,467	2,314	129,637
Net cash provided by investing activities	<u>8,856</u>		<u>118,467</u>	<u>2,314</u>	<u>129,637</u>
Net increase (decrease) in cash and cash equivalents (including cash with fiscal agents)	(592,848)	4,012	1,714,460	(348,214)	777,410
Cash and cash equivalents, July 1	1,864,235	957,606	18,565,741	670,047	22,057,629
Cash and cash equivalents, June 30	<u>\$ 1,271,387</u>	<u>\$ 961,618</u>	<u>\$ 20,280,201</u>	<u>\$ 321,833</u>	<u>\$ 22,835,039</u>



	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Reconciliation of operating loss to net cash provided by (used in) operating activities:					
Operating loss	\$ (116,488)	\$ (222,438)	\$ (288,227)	\$ (312,397)	\$ (939,550)
Adjustments to reconcile operating loss to net cash provided used in operating activities:					
Depreciation and amortization expense	2,384,084	56,639	183	136,991	2,577,897
Decrease (increase) in:					
Accounts receivable	(259)	1,894	(7,547)	(9,360)	(15,272)
Due from other funds		69,357	247,255	1,313	317,925
Due from component units		51,923			51,923
Inventories		18,511			18,511
Prepaid expenses			32,666	40,010	72,676
Increase (decrease) in:					
Accounts payable	(426,704)	(126,664)	46,046	(202,434)	(709,756)
Accrued leave		4,727	6,824	5,117	16,668
Due to other funds	(65,098)	(75,269)	(629,406)		(769,773)
Other liabilities		7,297	1,437	(805)	7,929
Nonoperating revenues reported as operating activity	42,657	53,332			95,989
Current portion of long-term accrued claims reported as operating activity			1,589,234		1,589,234
Accounts payable reported as nonoperating activities	426,704				426,704
Accounts receivable reported as nonoperating activities	258		7,549		7,807
Due to other funds reported as nonoperating activities	65,096				65,096
Long-term accrued leave reported as operating activity		(984)	(6,391)	(7,191)	(14,566)
Long-term accrued insurance claims reported as operating activity			529,754		529,754
Net pension liability reported as operating activity		361,172	127,045	138,593	626,810
Deferred outflows & inflows related to pensions reported as operating activity		(238,500)	(60,429)	(54,404)	(353,333)
Total adjustments	<u>2,426,738</u>	<u>183,435</u>	<u>1,884,220</u>	<u>47,830</u>	<u>4,542,223</u>
Net cash provided by (used in) operating activities	<u>\$ 2,310,250</u>	<u>\$ (39,003)</u>	<u>\$ 1,595,993</u>	<u>\$ (264,567)</u>	<u>\$ 3,602,673</u>
Acquisition of capital assets through other funds' capital contributions	\$ 76,298	\$ 21,055	\$	\$	\$ 97,353
Total non-cash transactions	<u>\$ 76,298</u>	<u>\$ 21,055</u>	<u>\$</u>	<u>\$</u>	<u>\$ 97,353</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, 2017**

	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017
<b><u>Special Welfare Fund</u></b>				
ASSETS				
Cash and cash equivalents	\$ 21,902	\$ 30,097	\$ 29,529	\$ 22,470
LIABILITIES				
Deposits	\$ 14,052	\$ 13,133	\$ 14,662	\$ 12,523
Accounts payable	7,850	18,254	16,157	9,947
	<u>\$ 21,902</u>	<u>\$ 31,387</u>	<u>\$ 30,819</u>	<u>\$ 22,470</u>
<b><u>Agency Fund</u></b>				
ASSETS				
Cash and cash equivalents	\$ 648,559	\$ 365,729	\$ 192,749	\$ 821,539
Accounts	1,575	1,522	1,791	1,306
	<u>\$ 650,134</u>	<u>\$ 367,251</u>	<u>\$ 194,540</u>	<u>\$ 822,845</u>
LIABILITIES				
Deposits	\$ 636,693	\$ 643,868	\$ 476,184	\$ 804,377
Accounts payable	13,441	226,512	221,485	18,468
	<u>\$ 650,134</u>	<u>\$ 870,380</u>	<u>\$ 697,669</u>	<u>\$ 822,845</u>
<b><u>Total - All Agency Funds</u></b>				
ASSETS				
Cash and cash equivalents	\$ 670,461	\$ 395,826	\$ 222,278	\$ 844,009
Accounts receivable	1,575	1,522	1,791	1,306
	<u>\$ 672,036</u>	<u>\$ 397,348</u>	<u>\$ 224,069</u>	<u>\$ 845,315</u>
LIABILITIES				
Deposits	\$ 650,745	\$ 657,001	\$ 490,846	\$ 816,900
Accounts payable and accrued liabilities	21,291	244,766	237,642	28,415
	<u>\$ 672,036</u>	<u>\$ 901,767</u>	<u>\$ 728,488</u>	<u>\$ 845,315</u>

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**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**COMBINING BALANCE SHEET**  
**June 30, 2017**

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,496,803	\$ 1,918,321	\$ 895,257	\$ 13,310,381
Cash with fiscal agent	2,652,597			2,652,597
Investments	24,460			24,460
Accounts receivable, net	234,865	68,715	203,604	507,184
Due from other funds	920,221			920,221
Due from other governments	6,287,603	1,357,488	1,347,065	8,992,156
Inventories	184,018	216,962		400,980
Total assets	<u>\$ 20,800,567</u>	<u>\$ 3,561,486</u>	<u>\$ 2,445,926</u>	<u>\$ 26,807,979</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and other liabilities	\$ 16,921,358	\$ 126,278	\$ 514,976	\$ 17,562,612
Due to other funds	13,225	28	906,968	920,221
Due to Primary Government	155,510			155,510
Unearned revenues	5,885		57,174	63,059
Total liabilities	<u>17,095,978</u>	<u>126,306</u>	<u>1,479,118</u>	<u>18,701,402</u>
<b>Fund balances</b>				
Nonspendable	184,018	216,962		400,980
Restricted		3,218,218	966,808	4,185,026
Assigned	3,520,571			3,520,571
Total fund balances	<u>3,704,589</u>	<u>3,435,180</u>	<u>966,808</u>	<u>8,106,577</u>
Total liabilities and fund balances	<u>\$ 20,800,567</u>	<u>\$ 3,561,486</u>	<u>\$ 2,445,926</u>	<u>\$ 26,807,979</u>

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

Total fund balance	\$ 8,106,577
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.	95,018,438
Accumulated depreciation on capital assets	(84,099,989)
Net other postemployment benefit liability	(9,740,241)
Long-term liability for compensated absences	(5,477,261)
Net pension liability	(212,170,709)
Deferred outflows of resources related to pensions	29,876,918
Deferred inflows of resources related to pensions	<u>(18,242,912)</u>
Net position discretely presented component unit School Board	<u>\$ (196,729,179)</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, 2017**

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
<b>REVENUES</b>				
State funds	\$ 123,769,359	\$ 226,262	\$ 953,353	\$ 124,948,974
Federal funds (includes pass through)	800,141	8,357,459	13,515,279	22,672,879
Other receipts	1,505,113	2,188,515	1,033,503	4,727,131
Payments from City	71,471,416			71,471,416
Net increase(decrease) in fair value of investments	4,332			4,332
Total revenues	<u>197,550,361</u>	<u>10,772,236</u>	<u>15,502,135</u>	<u>223,824,732</u>
<b>EXPENDITURES</b>				
Education	<u>198,348,094</u>	<u>11,785,409</u>	<u>15,975,047</u>	<u>226,108,550</u>
Deficiency of revenues under expenditures	<u>(797,733)</u>	<u>(1,013,173)</u>	<u>(472,912)</u>	<u>(2,283,818)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from:				
Food Services Fund	500,000			500,000
School Operating Fund			434,102	434,102
Reimbursable Projects Fund	4,267			4,267
Transfer to:				
School Operating Fund		(500,000)	(4,267)	(504,267)
Reimbursable Projects Fund	(434,102)			(434,102)
Total other sources (uses), net	<u>70,165</u>	<u>(500,000)</u>	<u>429,835</u>	<u></u>
Deficiency of revenues and other sources under expenditures and other uses	<u>(727,568)</u>	<u>(1,513,173)</u>	<u>(43,077)</u>	<u>(2,283,818)</u>
Fund balance - July 1	<u>4,432,157</u>	<u>4,948,353</u>	<u>1,009,885</u>	<u>10,390,395</u>
Fund balance - June 30	<u>\$ 3,704,589</u>	<u>\$ 3,435,180</u>	<u>\$ 966,808</u>	<u>\$ 8,106,577</u>
<b>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)</b>				
Net change in fund balances - total school funds				\$ (2,283,818)
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				1,510,814
Depreciation expense				(1,693,917)
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.				(172,544)
Decrease in capital leases are not reported as expenditures in the governmental funds.				89,868
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.				(195,243)
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.				644,192
Increase in net pension liability reported in Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds				(8,297,271)
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				4,485,049
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				8,323,349
Change in net position of governmental activities				<u>\$ 2,410,479</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, 2017**

	School Board - School Operating Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Intergovernmental:				
State Funds	\$ 126,316,501	\$ 126,316,501	\$ 123,769,360	\$ (2,547,141)
Federal funds (includes pass through)	940,000	940,000	800,142	(139,858)
Miscellaneous	1,222,500	1,222,500	1,113,558	(108,942)
Payments from City	71,471,416	71,471,416	71,471,416	
Total revenues	<u>199,950,417</u>	<u>199,950,417</u>	<u>197,154,476</u>	<u>(2,795,941)</u>
<b>EXPENDITURES</b>				
Current:				
Education	199,729,315	201,430,517	197,691,765	(3,738,752)
Total expenditures	<u>199,729,315</u>	<u>201,430,517</u>	<u>197,691,765</u>	<u>(3,738,752)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>221,102</u>	<u>(1,480,100)</u>	<u>(537,289)</u>	
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	500,000	500,000	500,000	
Transfers out	<u>(721,102)</u>	<u>(721,102)</u>	<u>(721,102)</u>	
Total other financing sources (uses), net	<u>(221,102)</u>	<u>(221,102)</u>	<u>(221,102)</u>	
Deficiency of revenues and other sources under expenditures and other uses		(1,701,202)	(758,391)	
<b>Appropriations from fund balance</b>		3,209,928		
<b>Appropriations - encumbrances</b>		<u>(1,508,726)</u>		
<b>Fund balance - July 1</b>			3,144,450	
<b>Fund balance - June 30</b>	<u>\$</u>	<u>\$</u>	<u>\$ 2,386,059</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, 2017**

## Assets held by the Treasurer:

Cash on hand	\$ 8,050
Cash in banks:	
Old Point National Bank	8,231,207
Investments:	
Certificates of deposit	26,348,730
Commercial paper	7,957,822
Repurchase agreement	1,300,000
Investment in mutual and money market funds	190,052
State Local Government Investment Pool	128,000,000
U.S. Government securities	13,982,249
Total assets	<u>\$ 186,018,110</u>

## Liabilities of the Treasurer:

Balance of City funds	<u>\$ 186,018,110</u>
Cash and cash equivalents	
Primary Government per Exhibit A-1	\$ 154,469,537
School Board per Exhibit A-11	13,310,381
Economic Development Authority per Exhibit A-11	4,282,503
General Fund Investments per Exhibit A-3	13,942,470
Restricted cash and investments - Enterprise Funds per Exhibit A-6	
Cash and cash equivalents - Convention Center	2,533,464
Investments - Convention Center	15,780,639
Cash and cash equivalents - Fiduciary Funds per Exhibit A-9	856,420
Adjust investments in CAFR from fair value to cost	14,540
Timing differences	3,428
Less:	
Petty cash	\$ (81,390)
Cash and investments held by trustees	<u>(19,093,882)</u>
	<u>(19,175,272)</u>
Balance of City funds	<u>\$ 186,018,110</u>

**CITY OF HAMPTON, VIRGINIA  
SCHEDULE OF CASH FLOWS  
DISCRETELY PRESENTED COMPONENT UNIT  
ECONOMIC DEVELOPMENT AUTHORITY  
For the Year Ended June 30, 2017**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ (72,144)
Cash payments to suppliers for goods and services	(1,482,980)
Cash payments to employees for services	(7,200)
Other receipts	2,542
Net cash used in operating activities	<u>(1,559,782)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Payment from primary government	<u>1,537,108</u>
Net cash provided by noncapital financing activities	<u>1,537,108</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on revenue bond maturities and long-term debt	(729,460)
Interest paid on revenue bonds and long-term debt	<u>(260,599)</u>
Net cash used in capital and related financing activities	<u>(990,059)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends on investments	(5,410)
Proceeds from collection of loans	31,128
Proceeds from collection of lease receivable	729,460
Interest received on loans	4,833
Interest received on lease receivable	<u>280,739</u>
Net cash provided by investing activities	<u>1,040,750</u>
Net increase in cash and cash equivalents (including restricted amounts)	28,017
Cash and cash equivalents (including restricted), July 1	<u>4,254,486</u>
Cash and cash equivalents (including restricted), June 30	<u><u>\$ 4,282,503</u></u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**ECONOMIC DEVELOPMENT AUTHORITY**  
**For the Year Ended June 30, 2017**

Operating loss	<u>\$ (3,869,560)</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	1,687,900
Decrease (increase) in:	
Accounts receivable	5,625
Notes receivable	(4,032)
Due from Primary Government	(170,854)
Increase (decrease) in:	
Accounts payable	692,501
Due to Primary Government	(5,746)
Other liabilities	(23,372)
Nonoperating revenues reported as operating revenues	33,044
Notes receivable reported as nonoperating activities	(31,128)
Other liabilities reported as nonoperating revenues	<u>23,372</u>
Total adjustments	<u>2,309,778</u>
Net cash used in operating activities	<u>\$ (1,559,782)</u>
Non-cash transactions affecting investing capital and related financing activities:	
Contribution of land	8,614,400
Net increase in fair value of investments	<u>\$ 167</u>
Total non-cash transactions	<u>\$ 8,614,567</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, 2017**

	Appropriations			Expenditures	Variance with Final Budget Over (Under)
	Budget July 1,2016	Net Changes	Final June 30,2017		
<b>EXPENDITURES</b>					
Administration/attendance and health	\$ 10,247,494	\$ 245,247	\$ 10,492,741	\$ 10,492,740	\$ (1)
Instructional	147,947,170	111,372	148,058,542	147,375,606	(682,936)
Public transportation service	9,959,134	985,149	10,944,283	9,226,494	(1,717,789)
Operation and maintenance of school plant	19,375,262	294,504	19,669,766	18,919,421	(750,345)
Technology	12,200,255	64,930	12,265,185	11,677,504	(587,681)
Total expenditures	<u>199,729,315</u>	<u>1,701,202</u>	<u>201,430,517</u>	<u>197,691,765</u>	<u>(3,738,752)</u>
<b>OPERATING TRANSFER OUT</b>					
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>\$ 200,450,417</u>	<u>\$ 1,701,202</u>	<u>\$ 202,151,619</u>	<u>\$ 198,412,867</u>	<u>\$ (3,738,752)</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, 2017**

	Original	Final Budgeted Revenues	Actual Revenues	Variance with Final Budget Over (Under)
<b>State funds:</b>				
Basic appropriation	\$ 59,127,380	\$ 59,127,380	\$ 59,221,616	\$ 94,236
At risk payment	2,994,237	2,994,237	2,982,966	(11,271)
Remedial education	3,311,773	3,311,773	3,299,137	(12,636)
K-3 Primary Class Size	4,085,903	4,085,903	3,984,596	(101,307)
Virginia Retirement System	8,089,181	8,089,181	8,058,318	(30,863)
Social security benefits	3,931,849	3,931,849	3,916,848	(15,001)
Group life insurance	267,760	267,760	266,739	(1,021)
Special education	9,747,406	9,747,406	8,907,320	(840,086)
Textbook payments	1,547,091	1,547,091	1,541,188	(5,903)
Remedial summer school	871,510	871,510	1,099,977	228,467
At risk 4 year old	2,797,572	2,797,572	2,797,572	
Gifted	676,447	676,447	673,866	(2,581)
Supplemental Lottery per pupil	738,737	738,737	737,884	(853)
Foster home	82,924	82,924	117,823	34,899
Vocational education	1,073,856	1,073,856	1,100,521	26,665
VPSA education tech grant	1,624,320	1,624,320	1,349,600	(274,720)
ESL	324,827	324,827	264,536	(60,291)
Early Reading Intervention	346,885	346,885	297,330	(49,555)
SOL Algebra Readiness	356,239	356,239	351,647	(4,592)
Sales tax	22,150,756	22,150,756	21,639,413	(511,343)
Medicaid Reimbursement	1,000,000	1,000,000	875,686	(124,314)
Salary supplement	958,097	958,097	958,097	(958,097)
Early reading specialists initiative	211,751	211,751	284,777	73,026
Total state funds	<u>126,316,501</u>	<u>126,316,501</u>	<u>123,769,360</u>	<u>(2,547,141)</u>
<b>Federal Funds:</b>				
Public law 874	480,000	480,000	389,191	(90,809)
Impact Aid Special Education	120,000	120,000	65,719	(54,281)
U.S. Army- ROTC	138,502	138,502	143,116	4,614
U.S. Air Force- ROTC	55,339	55,339	62,440	7,101
U.S. Navy - ROTC	74,806	74,806	76,814	2,008
U.S. Marine Corps - ROTC	71,353	71,353	62,862	(8,491)
Total federal funds	<u>(940,000)</u>	<u>940,000</u>	<u>800,142</u>	<u>(139,858)</u>
<b>Other funds:</b>				
Fees from students	21,000	21,000	17,398	(3,602)
Tuition from regular day students			5,471	5,471
Miscellaneous revenue	600,000	100,000	26,017	(73,983)
Medicaid reimbursement			176,955	176,955
Interest	1,500	1,500	3,052	1,552
Other	600,000	1,100,000	884,665	(215,335)
Total other funds	<u>1,222,500</u>	<u>1,222,500</u>	<u>1,113,558</u>	<u>(108,942)</u>
Total revenues	<u>128,479,001</u>	<u>128,479,001</u>	<u>125,683,060</u>	<u>(2,795,941)</u>
<b>Other credits:</b>				
Payment from the City	71,471,416	71,471,416	71,471,416	
Transfer from Food Services Fund	500,000	500,000	500,000	
Total other credits	<u>71,971,416</u>	<u>71,971,416</u>	<u>71,971,416</u>	
Total revenues and other credits	<u>\$ 200,450,417</u>	<u>\$ 200,450,417</u>	<u>\$ 197,654,476</u>	<u>\$ (2,795,941)</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2017**

<b>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
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>1,633,904</u>
Total Supplemental Nutrition Assistance Program Cluster		<u>1,633,904</u>
CHILD NUTRITION CLUSTER:		
Direct payments:		
Summer Food Service Program for Children	10.559	300,602
Pass-through payments:		
Department of Education:		
School Breakfast Program (184356012)	10.553	1,940,947
National School Lunch Program (184356012)	10.555	5,741,294
Department of Agriculture and Consumer Services:		
Special Milk Program for Children (184356012)	10.556	<u>675,218</u>
Total Child Nutrition Cluster		<u>8,658,061</u>
OTHER:		
Pass-through payments:		
Virginia Department of Social Services:		
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP (90508)	10.596	<u>22,265</u>
Total Department of Agriculture		<u>10,314,230</u>
DEPARTMENT OF COMMERCE:		
Direct Payments:		
Chesapeake Bay Studies	11.457	<u>114,570</u>
Total Department of Commerce		<u>114,570</u>
DEPARTMENT OF DEFENSE:		
Direct Payments:		
U.S. Army - ROTC	12.UNK	143,116
U.S. Air Force - ROTC	12.UNK	62,440
U.S. Navy - ROTC	12.UNK	76,814
U.S. Marine Corps - ROTC	12.UNK	62,862
Pass-through payments:		
Office of the Secretary of Defense:		
Readiness and Environmental Protection Integration Program (6000794)	12.UNK	<u>173,846</u>
Total Department of Defense		<u>519,078</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2017**

<b>Federal Granting Agency/ Recipient State Agency/ <u>Grant Program/Grant Number</u></b>	<b>Federal Catalogue Number</b>	<b><u>Expenditures</u></b>
DEPARTMENT OF EDUCATION:		
Direct payments:		
Impact Aid	84.041	454,910
Pass-through payments:		
Department of Behavioral Health and Developmental Services:		
Title I Grants to Local Educational Agencies (184356012)	84.010	5,726,072
School Improvement Grants (184356012)	84.377	594,874
Supporting Effective Instruction State Grant (184356012)	84.367	744,728
English Language Acquisition State Grant (184356012)	84.365	37,183
Twenty-First Century Community Learning Centers (184365012)	84.287	1,624,632
Grants for Infants and Families (720C-04446-15B-16)	84.181	393,622
SPECIAL EDUCATION CLUSTER:		
Pass-through payments:		
Department of Behavioral Health and Developmental Services:		
Special Education - Grants to States (184365012)	84.027	4,086,074
Special Education - Preschool Grants (184365012)	84.173	139,127
Total Special Education Cluster		<u>4,225,201</u>
Pass-through payments:		
Career and Technical Education:		
Basic Grants to States (184365012)	84.048	440,827
Total Department of Education		<u>14,242,049</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
MEDICAID CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Medical Assistance Program (705AT53247)	93.778	2,094,859
Total Medicaid Cluster		<u>2,094,859</u>
MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Affordable Care Act MIECH Visiting program (705BJ632554)	93.505	392,090
Total Maternal, Infant, and Early Childhood Home Visiting Cluster		<u>392,090</u>
CHILD CARE AND DEVELOPMENT FUND CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Child Care Mandatory and Matching Funds of the Child Care Development Fund (91416)	93.596	249,841
Total Child Care and Development Fund Cluster		<u>249,841</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2017**

<b>Federal Granting Agency/ Recipient State Agency/ <u>Grant Program/Grant Number</u></b>	<b>Federal Catalogue Number</b>	<b><u>Expenditures</u></b>
TANF CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Temporary Assistance for Needy Families (TANF) (90601, 90603)	93.558	2,339,440
Total TANF Cluster		<u>2,339,440</u>
OTHER:		
Pass-through payments:		
Department of Social Services:		
Promoting Safe and Stable Families (91129)	93.556	60,014
Refugee & Entrant Assistance (90623)	93.566	8,064
Low-Income Home Energy Assistance (91114)	93.568	185,529
Chafee Education and Training Vouchers Program (90353)	93.599	11,255
Stephanie Tubbs Jones Child Welfare Services Program (91131)	93.645	2,536
Foster Care - Title IV-E (90658)	93.658	989,342
Adoption Assistance (90606)	93.659	716,412
Social Services Block Grant (SSBG) (91142)	93.667	1,209,593
Chafee Foster Care Independence Program (91134)	93.674	11,771
Children's Health Insurance Program (90161)	93.767	67,503
Total Department of Health and Human Services		<u>8,338,249</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:		
FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:		
Direct payments:		
Foster Grandparent Program	94.011	317,080
Total Foster Grandparent, Senior Companion Cluster		<u>317,080</u>
DEPARTMENT OF HOMELAND SECURITY:		
Direct payments:		
Emergency Management Performance Grants	97.042	95,721
Assistance to Firefighters	97.044	124,816
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	589
Port Security Grant Program	97.056	12,642
Pass-through payments:		
Virginia Department of Emergency Management:		
Hazard Mitigation Grant (HMGP-4042-016)	97.039	129,493
Repetitive Flood Claims Grant Program (EMP-2012-SR-0002)	97.092	109,789
Homeland Security Grant Program (6606, 6762, 6831)	97.067	83,084
Total Department of Homeland Security		<u>556,134</u>
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT:		
Direct payments:		
Emergency Solutions Grant Program	14.231	139,987
Total Department of Housing and Community Development		<u>139,987</u>

continued



**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2017**

<b>Federal Granting Agency/ Recipient State Agency/ <u>Grant Program/Grant Number</u></b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
CDBG - ENTITLEMENT GRANTS CLUSTER:		
Direct payments:		
Community Development Block Grants/Entitlement Grants (\$323,549 provided to subrecipient)	14.218	855,679
Total CDBG - Entitlement Grants Cluster		<u>855,679</u>
OTHER:		
Direct payments:		
Home Investment Partnership Program (\$872,878 provided to subrecipient)	14.239	872,878
Continuum of Care Planning Grant (VA0269L3F051500)	14.267	20,448
Continuum of Care Housing Crisis Hotline Grant (VA0283L3F01500)	14.267	<u>65,682</u>
Pass-through payments:		
Department of Housing and Community Development:		
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (08-NSP-07) (\$134,018 provided to subrecipient)	14.228	337,177
Total Department of Housing and Urban Development		<u>2,151,864</u>
DEPARTMENT OF JUSTICE		
Pass-through payments:		
Department of Criminal Justice Services:		
Juvenile Justice and Delinquency Prevention Title II Grant Program (16-A3231JJ13)	16.540	5,269
Violence Against Women Formula Grant (16-T9367VA15, 17-U9367VA16)	16.588	68,047
Crime Victim Assistance (16-V8574VW15, 17-W8574VW15)	16.575	310,149
State Criminal Alien Assistance Program (SCAAP) Grant Program (2016-AP-BX-0116)	16.606	9,581
Edwards Byrne Memorial Justice Assistance Grant Program (2014-DJ-BX-0522, 2015-DJ-BX-0654, 16-A3281BY11)	16.738	82,770
Public Safety Partnership and Community Policing Grants (2016-UM-WX-0100)	16.710	70,127
Equitable Sharing Program (VA1110000, VAE000289)	16.922	<u>101,572</u>
Total Department of Justice		<u>647,515</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2017**

<b>Federal Granting Agency/ Recipient State Agency/ <u>Grant Program/Grant Number</u></b>	<b>Federal Catalogue Number</b>	<b><u>Expenditures</u></b>
DEPARTMENT OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION HIGHWAY PLANNING AND CONSTRUCTION CLUSTER:		
Pass-through payments:		
Department of Transportation:		
Highway Planning and Construction (83454, 97717, 86488, 86489, 57047, 108731, 87010, 93081, 60970)	20.205	6,346,604
Total Highway Planning and Construction Cluster		<u>6,346,604</u>
HIGHWAY SAFETY CLUSTER:		
Pass-through payments:		
Department of Transportation:		
State and Community Highway Safety (SC-2015-55196)	20.600	50,252
Total Highway Safety Cluster		<u>50,252</u>
Total Department of Transportation Federal Highway Administration		<u>6,396,856</u>
ENVIRONMENTAL PROTECTION AGENCY:		
Pass-through payments:		
National Fish and Wildlife Foundation:		
Chesapeake Bay Program (BF) (0603.15.49526)	66.466	9,583
Total Environmental Protection Agency		<u>9,583</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:		
Direct payments:		
Education	43.008	282,797
NASA Steam Sales	43.UNK	5,350,000
Cross Agency Support	43.009	270,500
Total National Aeronautics and Space Administration		<u>5,903,297</u>
Grand Total All Federally Assisted Programs and Grants		<u>\$ 49,650,492</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 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, 2017**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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>\$ 76,650,000</u>	<u>\$ 40,115,574</u>	<u>\$ 116,765,574</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**ECONOMIC DEVELOPMENT AUTHORITY REVENUE BONDS**  
**June 30, 2017**

Fiscal Year Ending June 30,	2002		Total Debt Service
	Tax-Exempt Principal	Interest	
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>\$ 3,605,828</u>	<u>\$ 551,290</u>	<u>\$ 4,157,118</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**GENERAL OBLIGATION BONDS**  
**For the Year Ended June 30, 2017**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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>\$ 229,000,000</u>	<u>\$ 69,473,424</u>	<u>\$ 298,473,424</u>

**CITY OF HAMPTON, VIRGINIA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**June 30, 2017**

<b>Assessed value:</b>		
Real estate	\$ 10,249,204,443	
Public service corporations - real estate	33,071,308	
Newport News Waterworks	<u>56,236,600</u>	<u>\$ 10,338,512,351</u>
Debt Limit at 10% of assessed value		<u>1,033,851,235</u>
<b>General obligation bonded debt:</b>		
General obligations bonds	226,155,255	
General obligation bonds - Steam Plant	<u>2,844,745</u>	
Total long-term debt		<u>229,000,000</u>
Legal debt margin		<u><u>\$ 804,851,235</u></u>

**Note:**

Virginia state statute limits bonds issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, compensated absences, claims and judgements, net pension obligation, net OPEB obligation and net pension liability totaling \$246,713,433 at June 30, 2017.

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 <sup>(1)</sup>	Total
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
2017	10,249,204	33,071	56,237	10,338,512	983,860	303,254	1,287,114

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 <sup>(1)(2)</sup>
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
2017	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, 2017**

Economic Development Authority Revenue Bonds	\$ 3,605,828
Convention Center Revenue Bonds	<u>76,650,000</u>
Total	<u><u>\$ 80,255,828</u></u>

Source: City Finance Department

**CITY OF HAMPTON, VIRGINIA**  
**General Fund Expenditures**  
**For the Year Ended June 30, 2017**

<u>Expenditures</u>	2017 <u>Actual</u>	Percent of Total <u>Actual</u>	2016 <u>Actual</u>	<u>Difference</u>	<u>Percentage Change</u>
General government	\$ 103,382,304	31.48 %	\$ 105,011,514	\$ (1,629,210)	(1.58)%
Public safety	52,550,351	16.00 %	50,265,177	2,285,174	4.35 %
Highways and streets	2,187,322	0.67 %	2,026,296	161,026	7.36 %
Health	2,396,124	0.73 %	2,484,855	(88,731)	(3.70)%
Human services	20,556,062	6.26 %	19,737,574	818,488	3.98 %
Culture & recreation	12,632,230	3.85 %	12,954,034	(321,804)	(2.55)%
Education - city share	71,471,416	21.77 %	71,112,223	359,193	0.50 %
Education - other sources	2,102,054	0.64 %	2,071,125	30,929	1.47 %
Transfers out	61,090,241	18.60 %	59,341,396	1,748,845	2.86 %
Totals	<u>\$ 328,368,104</u>	<u>100.00 %</u>	<u>\$ 325,004,194</u>	<u>\$ 3,363,910</u>	<u>1.02 %</u>

Source: City of Hampton, Virginia Comprehensive Annual Financial Report for years ended June 30, 2016 and 2017.

**CITY OF HAMPTON, VIRGINIA**  
**Summary of General Fund (In Thousands)**  
**Fiscal Years Ended June 30, 2013-2017**

	2013	2014	2015	2016	2017
Revenues	\$ 297,991	\$ 317,298	\$ 317,103	\$ 326,631	\$ 328,196
Expenditures <sup>(5)</sup>	<u>248,828</u>	<u>254,591</u>	<u>258,544</u>	<u>265,663</u>	<u>267,278</u>
Excess of Revenue over(under) Expenditures	<u>49,163</u>	<u>62,707</u>	<u>58,559</u>	<u>60,968</u>	<u>60,918</u>
<b>Other Financing Sources(Uses)</b>					
Transfers in	4,311	7	117	230	242
Transfers out <sup>(1)</sup>	<u>(55,275)</u>	<u>(60,856)</u>	<u>(57,134)</u>	<u>(59,341)</u>	<u>(61,090)</u>
Other Financing Sources(Uses), net	<u>(50,964)</u>	<u>(60,849)</u>	<u>(57,017)</u>	<u>(59,111)</u>	<u>(60,848)</u>
Net Change in Fund Balances	(1,801) <sup>(3)</sup>	1,858	1,542	1,857	70
Fund Balance, Beginning of Year	<u>91,651</u> <sup>(2)</sup>	<u>89,851</u>	<u>91,709</u>	<u>93,541</u> <sup>(2)</sup>	<u>95,398</u>
Fund Balance, End of Year	<u>\$ 89,850</u>	<u>\$ 91,709</u>	<u>\$ 93,251</u>	<u>\$ 95,398</u>	<u>\$ 95,468</u>

Source: City's Comprehensive Annual Financial Report Exhibit B-2 for the fiscal years June 30, 2013 through 2017.

(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, 2017**

	<u>Amount</u>	<u>Per Capita</u>	<u>Ratio to Assessed Value</u>
Gross Direct Debt	\$ 229,000,000	\$ 1,665.55	2.22 %

Source: Finance Department, City of Hampton, Virginia

(1) Per capita amounts are based on a 2017 population of 137,492, as provided by the Weldon Cooper Center for Public Service.

(2) Assessed value of total real property is \$10,339 billion as of June 30, 2017.

## 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 558,006	\$ 568,771	\$ 573,018	\$ 586,847	\$ 588,035	\$ 623,887	\$ 623,505	\$ 634,537	\$ 637,860	\$ 637,617
Restricted	23,660	32,433	21,147	10,900	11,809	12,452	13,271	75,606	49,062	40,734
Unrestricted	<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)<sup>(3)</sup></u>	<u>(108,850)</u>	<u>(106,561)</u>
Total governmental activities net position	<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>	<u>\$ 571,790</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 62,230	\$ 58,780	\$ 58,666	\$ 68,697 <sup>(1)</sup>	\$ 69,003	\$ 73,585	\$ 70,855	\$ 70,321	\$ 70,136	\$ 70,078
Restricted	26,356	25,578	26,727	18,721	16,844	904	8,256	8,031	8,037	8,048
Unrestricted	<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>	<u>27,189</u>
Total business-type activities net position	<u>\$ 99,603</u>	<u>\$ 99,393</u>	<u>\$ 101,914</u>	<u>\$ 105,836</u>	<u>\$ 107,848</u>	<u>\$ 106,570</u>	<u>\$ 108,285</u>	<u>\$ 97,501</u>	<u>\$ 103,852</u>	<u>\$ 105,315</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 620,236	\$ 627,551	\$ 631,684	\$ 655,544	\$ 657,037	\$ 697,472	\$ 694,360	\$ 704,858	\$ 707,996	\$ 707,695
Restricted	50,016	58,011	47,874	29,621 <sup>(2)</sup>	28,655	13,356	21,527	83,637	57,099	48,782
Unrestricted	<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>	<u>(79,372)</u>
Total Primary Government net position	<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>	<u>\$ 677,105</u>

## Note:

- (1) The increase in net investment in capital assets for fiscal year 2011 is due to the related debt decreasing at a greater rate than the decrease in net position.  
(2) The decrease in restricted assets for fiscal year 2011 is due to the decrease in debt service.  
(3) The decrease in net position for fiscal year 2015 is due to implementation of GASB 68, Accounting and Financial Reporting for Pensions.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 101,494	\$ 100,134	\$ 111,650	\$ 114,765	\$ 128,783	\$ 127,924	\$ 101,058	\$ 105,553	\$ 111,928	\$ 116,667
Public safety	50,039	51,052	51,937	49,063	49,635	53,205	69,813	72,324	70,781	80,442
Highway and streets	7,774	12,374 <sup>(2)</sup>	12,078	13,068	11,862	15,511	18,774	14,433	18,872	14,032
Sanitation	4,959	4,641	3,471	3,630	3,899					
Health	3,090	3,098	2,949	3,161	3,056	3,337	1,114	3,528	1,214	1,054
Human services	30,004	30,198	31,226	31,574	29,142	28,528	32,807	33,234	32,460	34,341
Culture and recreation	23,524	19,664 <sup>(3)</sup>	17,771	14,531	13,540	15,798	17,006	18,356	17,496	16,996
Education (payment to school district)	66,517	69,217 <sup>(4)</sup>	68,052	67,051	66,345	64,925	70,773	71,112	71,112	71,471
Education and educational services	5,133	9,336	7,388	8,627	14,337	9,930	12,464	14,479	15,096	14,423
Interest on long-term debt	12,389	15,161 <sup>(5)</sup>	17,951	11,052	8,351	7,991	9,136	8,579	8,053	7,171
Total governmental activities expenses	<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>	<u>\$ 356,597</u>
<b>Business-type activities</b>										
Culture	34,409	32,295	30,454	27,766	27,727	25,416	28,395	29,741	26,527	27,636
Sanitation	20,379	21,487	22,067	22,923	23,831	24,475	24,941	23,829	24,020	25,761
Total business-type activities expenses	<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>	<u>53,397</u>
Total Primary Government expenses	<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>	<u>\$ 409,994</u>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for Services:										
General government	\$ 12,425	\$ 5,807	\$ 6,982	\$ 7,129	\$ 7,772	\$ 24,293	\$ 24,458	\$ 22,911	\$ 25,865	\$ 23,324
Public safety	2,353	1,962	2,086	2,049	2,101	5,206	5,412	5,727	5,549	5,260
Sanitation	5,006	4,905	4,869	4,856	5,007					
Other activities	5,381	5,209	6,015	5,588	6,141	2,727	2,765	2,570	2,173	2,784
Operating grants and contributions	59,795 <sup>(6)</sup>	76,025	79,412	82,269	77,821	75,926	80,434	80,281	80,113	80,781
Capital grants and contributions	57,530 <sup>(6)</sup>	13,453	2,423	2,569	2,782	19,778	18,291	7,153	13,172	13,627
Total governmental activities program revenues	<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>	<u>125,776</u>
<b>Business-type activities:</b>										
Charges for Services:										
Culture and recreation	17,800	16,242	15,411	13,675	15,603	11,722	15,714	19,407	15,619	14,889
Sanitation	22,053	23,672	26,447	26,433	26,443	27,215	27,227	25,145	30,098	28,872
Operating grants and contributions	2,848	2,528	2,522	3,132	1,302	1,098	1,832	1,256	1,236	1,923
Capital grants and contributions	1,531	1,180	1,472	592	613	95	114	58	510	
Total business-type activities program revenues	<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>	<u>45,684</u>
Total Primary Government program revenues	<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>	<u>\$ 171,460</u>
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (162,433)	\$ (207,514)	\$ (222,686)	\$ (212,062)	\$ (227,326)	\$ (199,219)	\$ (201,585)	\$ (222,956)	\$ (220,140)	\$ (230,821)
Business-type activities	(10,556)	(10,160)	(6,669)	(6,857)	(7,597)	(9,761)	(8,449)	(7,704)	(3,084)	(7,713)
Total Primary Government net (expense)/revenue	<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>	<u>\$ (238,534)</u>



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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
<b>Taxes</b>										
Property taxes	\$ 160,158	\$ 145,607	\$ 146,261	\$ 149,797	\$ 146,758	\$ 135,881	\$ 156,050	\$ 156,048	\$ 158,147	\$ 159,873
Sales taxes	13,765	13,172	13,590	13,828	13,962	14,247	14,588	15,050	15,368	14,980
Lodging, meal and amusement taxes	18,241	18,188	18,621	19,606	20,100	22,224	23,639	24,041	24,751	25,141
Motor vehicle taxes	3,758	3,698	3,398	3,813	3,692	4,203	4,346	4,273	4,375	4,429
Alcoholic beverage taxes	176 <sup>(7)</sup>	<sup>(7)</sup>	<sup>(7)</sup>	<sup>(7)</sup>	<sup>(7)</sup>					
Business license taxes	12,783	12,207	12,349	11,562	12,126	11,850	12,077	11,435	12,092	12,304
Utility taxes	5,282	4,976	5,486	5,528	5,356	5,376	5,453	5,443	5,551	5,483
Tobacco taxes	3,760	3,629	3,538	3,681	4,364	4,264	4,421	4,077	4,624	4,428
Emergency 911 telephone taxes	421	408 <sup>(11)</sup>	<sup>(11)</sup>	<sup>(11)</sup>	<sup>(11)</sup>					
Recordation taxes	2,339	1,706	1,687	1,443	1,422	1,900	1,436	1,763	2,066	1,663
Bank stock taxes	307	407	453	505	468	487	527	457	549	569
Pari-mutuel license taxes	106	93	80	79	66	59	43	4		
Short-term rental taxes	127	136	98	89	94	80	75	91	101	102
Franchise license taxes	1,364	1,448	1,327 <sup>(12)</sup>	<sup>(12)</sup>	<sup>(12)</sup>					
Communications sales tax	9,032	8,296	7,993	9,677	9,174	9,418	9,173	8,867	8,649	8,649
Mobile home titling tax	30	45	33	16	23	14	20	19	21	18
Investment earning	11,288	5,609	912 <sup>(8)</sup>	564	285	355	221	227	574	951
Miscellaneous	4,076	4,266	2,236 <sup>(9)</sup>	2,548	2,874					
Transfers	(8,530)	(8,364)	(8,467)	(10,322)	(8,865)	(9,600)	(9,161)	(9,106)	(8,549)	(8,384)
<b>Total Governmental Activities</b>	<b>238,483</b>	<b>215,527</b>	<b>209,595</b>	<b>212,414</b>	<b>211,899</b>	<b>200,758</b>	<b>222,922</b>	<b>222,995</b>	<b>228,537</b>	<b>230,206</b>
<b>Business-type Activities:</b>										
Investment earning	1,659	628	723	457	664	529	1,003	946	887	792
Miscellaneous	1,020	958		<sup>(10)</sup>	80					
Transfers	8,530	8,364	8,467	10,322	8,865	9,600	9,161	9,106	8,549	8,384
<b>Total Business-type Activities</b>	<b>11,209</b>	<b>9,950</b>	<b>9,190</b>	<b>10,779</b>	<b>9,609</b>	<b>10,129</b>	<b>10,164</b>	<b>10,052</b>	<b>9,436</b>	<b>9,176</b>
<b>Total Primary Government</b>	<b>\$ 249,692</b>	<b>\$ 225,477</b>	<b>\$ 218,785</b>	<b>\$ 223,193</b>	<b>\$ 221,508</b>	<b>\$ 210,887</b>	<b>\$ 233,086</b>	<b>\$ 233,047</b>	<b>\$ 237,973</b>	<b>\$ 239,382</b>
<b>Changes in Net Position</b>										
Governmental activities	\$ 76,050	\$ 8,013	\$ (13,091)	\$ 352	\$ (15,427)	\$ 1,539	\$ 21,337	\$ 39	\$ 8,397	\$ (615)
Business-type activities	653	(210)	2,521	3,922	2,012	368	1,715	2,348	6,352	1,463
<b>Total Primary Government</b>	<b>\$ 76,703</b>	<b>\$ 7,803</b>	<b>\$ (10,570)</b>	<b>\$ 4,274</b>	<b>\$ (13,415)</b>	<b>\$ 1,907</b>	<b>\$ 23,052</b>	<b>\$ 2,387</b>	<b>\$ 14,749</b>	<b>\$ 848</b>

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

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015*	2016	2017
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ 29	\$ 44	\$ 34	\$ 224	\$ 598	\$ 26	\$ 112
Restricted				4,305	871	333	398	412	419	338
Committed				45,848	32,858	29,439	32,308	34,959	34,470	35,178
Assigned				2,025	7,708	5,926	7,257	5,237	6,250	5,549
Unassigned				50,198	51,175	54,185	51,589	52,112	54,301	54,330
Reserved	2,204	1,142	1,290	-	-	-	-	-	-	-
Unreserved	96,902	98,120	100,080	-	-	-	-	-	-	-
Total general fund	<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>	<u>\$ 95,507</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ 4,943	\$ -	(1) \$ -	\$ -	\$ -	\$ 44	\$ -
Restricted				12,377	10,938	12,336	13,368	14,107	15,455	15,437
Committed				48,147	26,122	53,748	39,064	66,535	35,957	22,610
Assigned				6,631	6,035	5,534	6,233	5,421	5,939	5,789
Reserved	7,351	6,259	16,461	-	-	-	-	-	-	-
Unreserved, reported in:										
Debt service	-	451	498	-	-	-	-	-	-	-
Special revenue funds	18,225	18,830	13,451	-	-	-	-	-	-	-
Capital projects fund	186,041	134,544	75,683	-	-	-	-	-	-	-
Permanent funds	65	67	67	-	-	-	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 43,836</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes (see table V)	\$ 231,277	\$ 213,346	\$ 213,976	\$ 219,413	\$ 211,542	\$ 210,415	\$ 229,596	\$ 230,933	\$ 236,457	\$ 238,209
Intergovernmental revenues	59,721	82,874	82,565	81,849	78,314	85,937	92,705	84,165	88,459	89,342
Licenses and permits	1,082	939	1,078	1,024	1,072	1,169	1,156	1,299	1,409	1,450
Fines and forfeitures	2,269	2,209	2,004	2,189	2,493	2,386	2,307	1,967	1,550	1,560
Revenue from use of money and property	17,855	9,417	2,861	2,065	1,319	1,329	1,395	2,142	1,469	1,714
Charges for services	10,895	10,489	11,354	11,532	13,414	15,570	17,297	17,240	18,093	18,148
Payment from component unit	-	-	-	2,001	2,000	2,000	2,000	2,000	2,000	2,000
Miscellaneous	6,025	4,660	4,848	5,532	5,987	7,705	8,056	5,529	5,877	6,482
Special assessments	-	-	-	-	4,558	6,543	4,730	4,183	6,358	4,765
Recovered costs	10,489	2,057	1,170	1,158	1,145	906	906	906	906	954
<b>Total Revenues</b>	<b>339,613</b>	<b>325,991</b>	<b>319,856</b>	<b>326,763</b>	<b>321,844</b>	<b>333,960</b>	<b>360,148</b>	<b>350,364</b>	<b>362,578</b>	<b>364,624</b>
<b>Expenditures</b>										
General government	89,137	91,568	98,305	99,066	96,371	102,441	103,076	106,074	110,436	106,446
Public safety	50,450	51,441	50,722	48,322	48,460	52,872	54,064	53,491	55,771	57,410
Highways and streets	2,395	2,362	2,200	1,812	1,980	1,947	1,932	1,908	2,026	2,187
Sanitation	3,656	3,543	3,455	3,637	3,949	3,935	4,332	4,413	5,004	5,484
Health	3,205	2,978	2,709	2,652	2,441	2,567	2,649	2,605	2,485	2,396
Human Services	30,032	30,480	31,187	31,558	29,151	28,437	28,557	29,394	28,993	30,415
Culture and recreation	15,255	15,680	15,452	12,080	12,564	13,202	11,678	12,725	13,150	13,015
Education (payment to school district)	66,517	69,216	68,052	67,052	66,345	64,925	70,773	71,112	71,112	71,471
Education	2,404	2,394	2,262	2,133	2,098	2,120	2,120	2,129	2,071	2,102
Capital improvements	46,615	84,855	74,162	53,115	52,536	38,473	49,030	48,449	56,298	46,130
Debt service										
Principal	12,530	13,235	15,210	17,640	18,714	19,661	22,166	23,152	22,336	21,738
Interest and fiscal charges	8,825	15,757	12,939	12,901	12,619	10,726	11,707	10,899	11,154	10,963
Bond issuance cost	-	-	282	45	313	470	-	519	3	-
<b>Total expenditures</b>	<b>331,021</b>	<b>383,509</b>	<b>376,937</b>	<b>352,013</b>	<b>347,541</b>	<b>341,776</b>	<b>362,084</b>	<b>366,870</b>	<b>380,839</b>	<b>369,757</b>
Excess (deficiency) of revenues over (under) expenditures	8,592	(57,518)	(57,081)	(25,250)	(25,697)	(7,816)	(1,936)	(16,506)	(18,261)	(5,133)
<b>Other financing sources (uses)</b>										
Debt issuance and capital leases	116,275	14,506	7,435	2,545	-	-	-	46,770	-	-
Proceeds from refunding bonds issued	29,540	-	65,595	-	44,770	38,865	-	56,250	-	-
Payment to refunded bond escrow agent	(29,540)	-	(65,469)	-	(49,562)	-	-	(70,151)	-	-
Premium on bond issue	-	-	-	-	5,118	5,263	-	21,684	-	-
Transfers in	37,362	41,435	39,893	48,507	59,650	52,360	55,156	50,289	55,227	55,907
Transfers out	(45,893)	(49,798)	(48,360)	(58,829)	(68,401)	(61,948)	(64,317)	(59,395)	(63,776)	(64,291)
<b>Total other financing sources (uses), net</b>	<b>114,182</b>	<b>6,143</b>	<b>5,199</b>	<b>(7,777)</b>	<b>(8,425)</b>	<b>34,540</b>	<b>(9,161)</b>	<b>45,447</b>	<b>(8,549)</b>	<b>(8,384)</b>
<b>Net change in fund balances</b>	<b>\$ 122,774</b>	<b>\$ (51,375)</b>	<b>\$ (51,882)</b>	<b>\$ (33,027)</b>	<b>\$ (34,122)</b>	<b>\$ 26,724</b>	<b>\$ (11,097)</b>	<b>\$ 28,941</b>	<b>\$ (26,810)</b>	<b>\$ (13,517)</b>
Debt service as a percentage of noncapital expenditures	7.20 %	9.33 %	8.97 %	9.62 %	9.40 %	9.26 %	10.28 %	9.98 %	9.31 %	9.19 %

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

Fiscal Year	General	Business	Sales	Utility	Tobacco	Communications	Meal	Other	Total
	Property					Sales			
	Taxes	Licenses	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes <sup>(3)</sup>	
2008	\$ 160,329	\$ 12,784	\$ 13,765	\$ 5,703	\$ 3,760	\$ 9,032	\$ 13,974	\$ 11,930	\$ 231,277
2009	145,682 <sup>(2)</sup>	12,207	13,172	4,976	3,629	8,296	13,912	11,472	213,346
2010	145,245	12,349	13,590	4,962	3,538	7,993	14,417	11,882	213,976
2011	144,302	11,562	13,828	5,063	3,681	9,677	15,269	16,031	219,413
2012	141,076 <sup>(1)</sup>	12,126	13,962	4,929	4,364	9,174	15,793	10,118	211,542
2013	136,705	11,850	14,247	4,959	4,264	9,418	18,083	10,889	210,415
2014	154,193	12,077	14,588	4,986	4,421	9,187	18,974	11,170	229,596
2015	155,527	11,435	15,050	4,916	4,077	9,173	19,471	11,284	230,933
2016	158,543	12,092	15,368	5,056	4,624	8,867	20,073	11,834	236,457
2017	160,810	12,304	14,979	4,978	4,427	8,649	20,370	11,693	238,210

## Notes:

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

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

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

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

Real Estate							
Fiscal Year	Citizens' Property	Public Service <sup>1</sup>	Newport News Waterworks	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percent of Estimated Actual Value <sup>2</sup>	Total Direct Tax Rate
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	98.64	1.24
2017	10,249,204	33,071	56,237	10,338,512	10,338,512	100.00	1.24

## Notes:

<sup>1</sup>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.

<sup>2</sup>The state requires all real estate to be assessed at 100% of its appraised value. There is no state statute or city charter limitation on the tax rate. The latest State Department of Taxation comparison of sales to appraisal indicates a true rate of 100% for 2016. We assumed the sales to appraisal ratio would be 100% for fiscal year 2017.

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

Taxpayer	2017			2008		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Peninsula Main VA LLC	\$ 126,715	1	1.2 %			
City of Newport News/NN Waterworks	56,631	2	0.5 %			
FCLA LP	41,598	3	0.4 %			
MOLA LLC	40,856	4	0.4 %			
Hampton University OFC of General Counsel	39,794	5	0.4 %			
Ginkgo Lake Ridge C/O LLC	38,906	6	0.4 %			
Trail Creek Community LLC C/O The Wolff Company	37,264	7	0.4 %			
Cambridge Apartments LC	31,856	8	0.3 %			
RP Hampton Exchange LLC & RP Hampton CTR LLC	31,500	9	0.3 %			
Coliseum Investment CO LLC	30,303	10	0.3 %			
Peninsula Town Center LLC				56,430	1	0.5 %
FCLA LP				47,732	2	0.4 %
Hampton University				46,762	3	0.4 %
John Q Hammons				46,280	4	0.4 %
Hampton Center LLC				43,178	5	0.4 %
BIR Lakeridge LLC				42,727	6	0.4 %
Cambridge Apartments LC				37,131	7	0.3 %
Riverdale Apartments LLC				32,870	8	0.3 %
Hampton Training School Nurses				31,502	9	0.3 %
CRIT-VA-III LLC				29,888	10	0.3 %
	<u>\$ 475,423</u>		<u>4.6 %</u>	<u>\$ 414,500</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
2008	\$ 118,381	\$ 115,668	98.51 %	\$ 1,731	\$ 117,399	99.17%
2009	120,167	117,338	98.55 %	1,810	119,148	99.15%
2010	121,523	117,902	97.99 %	2,246	120,148	98.87%
2011	118,863	115,317	98.31 %	2,117	117,434	98.80%
2012	114,612	114,334	98.04 %	1,284	115,618	100.88%
2013	109,957	108,589	98.76 %	489	109,078	99.20%
2014	127,110	125,559	98.78 %	1,364	126,923	99.85%
2015	126,262	124,440	98.56 %	1,618	126,058	99.84%
2016	126,678	124,791	98.51 %	1,662	126,453	99.82%
2017	128,198	126,403	98.60 %	-	126,403	98.60%

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 <sup>1</sup>				Percentage of Estimated Actual Taxable Value of Property	Per Capita	Capital Leases
	General Obligation Bonds <sup>2</sup>	Notes Payable	State Literary Loans	Total			
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
2017	256,498	-	-	256,498	2.48%	1,872.25	6,970

Fiscal Year	Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita <sup>4</sup>
	Revenue Bonds	Capital Leases			
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	7.44 %	2,975.01
2016	92,128	-	382,605	6.83 %	2,752.55
2017	88,545	-	352,013	N/A	2,569.44

## Notes:

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

<sup>2</sup>General obligation bond amounts include the unamortized premiums.

<sup>3</sup>See Table VI for estimated actual taxable value of property data.

<sup>4</sup>See Table XII for personal income and population data. The most recent personal income data available from the Bureau of Economic analysis is 2016.

N/A-Not available



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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 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	\$ 1,033,851
Total net debt applicable to limit	309,218	295,983	294,953	279,857	261,274	280,152	257,645	273,840	251,130	229,000
Legal debt margin	\$ 809,152	\$ 861,479	\$ 872,499	\$ 863,052	\$ 840,762	\$ 777,128	\$ 767,436	\$ 744,399	\$ 770,468	\$ 804,851
Total net debt applicable to the limit as a percentage of debt limit	27.65 %	25.57 %	25.26 %	24.49 %	23.71 %	26.50 %	25.13 %	26.89 %	24.58 %	22.15 %

Legal Debt Margin Calculation for current Fiscal Year: 2017

Assessed value	\$ 10,338,512
Debt limit (10% of total assessed value)	1,033,851
Debt applicable to limit:	
General obligation debt	<u>229,000</u>
Total net debt applicable to limit:	<u>229,000</u>
Legal debt margin	<u><u>\$ 804,851</u></u>

Notes:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase of contracts, accrued sick and annual leave, net pension obligation, net OPEB obligation and net pension liability totaling \$246,713,433 at June 30, 2017.

\*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	
<b>The Hamptons Revenue Bonds</b>							
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
<b>Museum Revenue Bonds</b>							
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	
<b>Economic Development Authority Revenue Bonds</b>							
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	5,538	2,711	2,827	687	237	924	3.06
2017	5,980	5,150	830	729	283	1,012	0.82
<b>Convention Center Revenue Bonds(4)</b>							
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
2017	10,855	3,515	7,340	2,680	3,890	6,570	1.12

## Notes:

- (1)Gross revenues include transfers in.  
(2)Total operating expenses exclusive of depreciation.  
(3)Includes principal and interest of revenue bonds only.  
(4)Operation of the Convention Center began in March 2005.

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

<u>Fiscal Year</u>	<u>Population<sup>1</sup></u>	<u>Personal Income <sup>2</sup> (In Thousands)</u>	<u>Per Capita Income<sup>3</sup></u>	<u>School Membership<sup>4</sup></u>	<u>Unemployment Rate Percentage<sup>5</sup></u>
2008	138,957	\$ 4,805,064	\$ 34,580	21,189	4.9%
2009	137,833	4,847,563	35,170	21,411	8.2%
2010	137,416	4,933,249	35,924	20,804	8.6%
2011	136,435	5,084,002	37,241	20,762	8.0%
2012	136,843	5,173,458	37,734	21,622	7.8%
2013	136,948	5,207,725	37,924	21,366	7.1%
2014	136,879	5,370,168	38,984	21,113	6.7%
2015	138,454	5,559,605	40,773	19,854	6.3%
2016	138,626	5,603,945	41,385	20,698	5.4%
2017	137,492	N/A	N/A	20,384	5.1%

## Notes:

<sup>1</sup>Source: Weldon Cooper Center for Public Service as of July 1, 2015.

<sup>2</sup>Source: Bureau of Economic Analysis. Most recent information available is 2014.

<sup>3</sup>Source: Bureau of Economic Analysis. Most recent information available is 2014.

<sup>4</sup>Source: Hampton City Schools

<sup>5</sup>Source: U.S. Bureau of Labor Statistics

N/A-Not available

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

2017	2008
<b>Over 600 Employees</b>	<b>500+ Employees</b>
City of Hampton	Air Force Command and Control Intelligence, Surveillance, and Reconnaissance Center
Commonwealth of Virginia	Aloca Howmet
Hampton City School Board	City of Hampton
Hampton Newport News Community Board	Fort Monroe
Hampton University	Hampton City Schools
Howmet Castings & Service Inc	Hampton University
Langley Air Force Base	Hampton Virginia Medical Center-Veteran's Hospital
National Aeronautics/Space Admin.	Langley Air Force Base
Riverside Regional Medical Center	NASA Langley Research Center
Sentara Health Systems	Sentara Healthcare System
TRG Customer Solutions	Sprint-Nextel
Thomas Nelson Community College	Thomas Nelson Community College
Veterans Affairs	Verizon
	West Corporation
<b>200-599 Employees:</b>	<b>300-499 Employees:</b>
Analytical Mechanics Associates	AMSEC LLC
Association for Retarded Inc.	Headway Corporate Resources
Cobb Theatres IV, LLC	Northrop Grumman
Faneuil Inc,	Raytheon
Farm Fresh LLC	Riverside Regional Medical Centers
Food Lion LLC	SAIC
Jacobs Technology	Teletech
Measurement Specialties Inc.	
SIJ LTD	
ScribeAmerica LLC	
Science Systems and APLIC	
Simos Insourcing Solutions	
Top Guard Inc	
Virginia Oncology Associates	
Walmart Associates Inc	

Source: City of Hampton, Department of Economic Development

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

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

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
General government	578	588	588	574	562	574	568	577	574	557
Public safety	707	695	645	649	663	688	697	704	706	711
Highway and streets	29	30	27	24	24	20	24	21	19	22
Sanitation	47	48	47	46	51	49	54	56	61	57
Health	22	22	22	16	16	19	20	20	16	15
Human services	245	232	236	225	229	229	228	234	233	245
Culture and recreation	167	159	137	128	123	128	123	126	130	118
Total Governmental activities	<u>1,795</u>	<u>1,774</u>	<u>1,702</u>	<u>1,662</u>	<u>1,668</u>	<u>1,707</u>	<u>1,714</u>	<u>1,738</u>	<u>1,739</u>	<u>1,725</u>
Business-type activities										
Culture and recreation	44	38	37	36	37	32	35	32	36	37
Sanitation	146	147	140	143	141	142	138	126	135	133
Total Business-type activities	<u>190</u>	<u>185</u>	<u>177</u>	<u>179</u>	<u>178</u>	<u>174</u>	<u>173</u>	<u>158</u>	<u>171</u>	<u>170</u>
Total	<u><u>1,985</u></u>	<u><u>1,959</u></u>	<u><u>1,879</u></u>	<u><u>1,841</u></u>	<u><u>1,846</u></u>	<u><u>1,881</u></u>	<u><u>1,887</u></u>	<u><u>1,896</u></u>	<u><u>1,910</u></u>	<u><u>1,895</u></u>

Sources: City of Hampton, Department of Human Resources

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

Function/Program	2008	2009	2010	2011	2012
General government					
Building permits issued	3,167	2,241	2,195	2,123	2,162
Building inspections conducted	9,459	7,853	6,988	6,131	7,021
311 customer call center	191,727	170,971	168,492	148,351	147,458
Public safety					
Police					
Physical arrests	22,626	18,711	12,621	16,886	16,733
Traffic summons	34,334	34,781	30,121	30,225	30,459
Fire					
Emergency responses	22,928	22,651	22,271	22,394	23,718
Fires extinguished	168	278	378	450	320
Patients transported	12,105	12,015	12,133	11,620	12,149
Code inspections	1,553	2,165	2,572	2,210	2,658
Highway and streets					
Roads paved or resurfaced (miles)	22	28	106	69	68
Sanitation					
Yard waste collected (tons)	10,240	14,160	14,106	11,965	15,244
Debris removed (tons)	104,236	109,204	113,234	114,773	155,011
Cleanups	366	935	518	819	764
Street sweeping	2,689	3,339	3,231	3,364	3,384
Storm drains cleaned (linear feet)	71,619	76,202	97,046	73,901	109,767
Health					
Preventive health					
Family practice visits (closed 3/31/11)	3,183	2,602	2,755	1,615	N/A
Immunization visits	5,485	5,794	7,053	6,511	6,948
Prescriptions filled (closed 5/25/10)	30,739	26,103	22,786	N/A	N/A
Human services					
Healthy families partnership					
Number of families assessed	525	617	567	590	760
Number of families served	1,079	888	1,026	930	979
Number of adult participants in the parenting classes	1,595	1,430	1,242	1,875	2,585
Social Services					
Food stamp households	5,365	6,027	8,040	8,939	10,372
Culture and recreation					
Senior citizens attendance at Senior Center	28,021	17,047	13,730	12,985	13,050
Community center admissions					
Youth	63,632	67,421	82,134	13,512	55,558
Teen	67,535	49,802	37,359	15,033	20,369
Adult	80,706	94,481	113,178	135,786	80,605
Education					
School membership (total)	21,189	21,411	20,804	20,762	21,622
High schools	6,659	6,494	6,784	6,749	6,781
Middle schools	5,156	4,837	4,743	6,837	4,069
Elementary schools	9,374	10,080	9,277	7,849	9,876
Combined schools	-	-	-	2,327	896
School board personnel	2,866	3,194	3,138	2,992	2,821
Wastewater					
Average daily sewage treatment (thousands of gallons)	11,300	11,410	10,566	10,794	10,460



Function/Program	2013	2014	2015	2016	2017
General government					
Building permits issued	2,111	1,564	1,281	1,107	1,106
Building inspections conducted	8,029	4,602	4,520	4,421	4,623
311 customer call center	148,988	141,891	130,387	164,878	176,367
Public safety					
Police					
Physical arrests	10,035	9,067	14,862	14,073	10,304
Traffic summons	29,007	29,080	21,391	20,795	17,893
Fire					
Emergency responses	23,808	24,815	26,149	27,541	25,906
Fires extinguished	319	331	491	531	508
Patients transported	13,665	14,262	14,910	14,228	13,783
Code inspections	839	3,223	2,146	2,909	1,600
Highway and streets					
Roads paved or resurfaced (miles)	88	21	26	22	107
Sanitation					
Yard waste collected (tons)	13,326	12,896	9,762	9,761	10,196
Debris removed (tons)	122,317	58,223	59,422	62,173	77,034
Cleanups	840	817	891	991	901
Street sweeping	3,384	4,607	2,583	1,445	1,445
Storm drains cleaned (linear feet)	153,605	57,064	49,550	61,845	61,669
Health					
Preventive health					
Family practice visits (closed 3/31/11)	N/A	N/A	N/A	N/A	N/A
Immunization visits	6,725	5,342	3,394	3,260	2,980
Prescriptions filled (closed 5/25/10)	N/A	N/A	N/A	N/A	N/A
Human services					
Healthy families partnership					
Number of families assessed	689	547	527	421	501
Number of families served	958	908	948	856	718
Number of adult participants in the parenting classes	2,850	2,327	2,487	3,140	3,772
Social Services					
Food stamp households	11,048	11,101	9,824	8,986	9,443
Culture and recreation					
Senior citizens attendance at Senior Center	12,997	10,449	15,046	16,681	22,574
Community center admissions					
Youth	55,873	51,901	51,422	51,968	88,634
Teen	22,340	43,133	42,254	24,086	36,298
Adult	80,685	77,345	78,844	56,829	109,246
Education					
School membership (total)	21,366	21,113	19,854	20,698	20,384
High schools	6,516	6,218	6,066	6,197	6,143
Middle schools	3,975	3,934	3,710	3,775	3,723
Elementary schools	9,885	8,319	7,667	8,562	8,074
Combined schools	990	2,642	2,410	2,164	2,444
School board personnel	2,980	2,835	2,543	2,507	2,492
Wastewater					
Average daily sewage treatment (thousands of gallons)	14,890	14,390	14,450	14,800	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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Public safety</b>										
Police										
Patrol units	254	278	272	195	211	211	225	253	257	226
Patrol boats	2	3	4	3	5	5	5	5	6	5
Fire										
Stations	10	10	10	10	11	11	11	11	11	11
Pumpers	19	19	19	18	18	14	16	17	17	17
Ambulances	18	18	18	17	17	16	16	15	15	15
Rescue Vehicles	3	3	3	3	3	3	2	-	-	-
Ladder trucks	2	2	2	4	4	6	5	5	5	5
Fire Boats		2	2	4	4	2	2	2	2	2
<b>Highways and streets</b>										
Streets (miles)	446	459	455	460	475	482	497	486	480	470
Traffic signals	181	179	180	180	185	185	187	186	189	185
Bridges	40	40	40	40	40	40	40	40	39	40
<b>Sanitation/solid waste</b>										
Collection trucks	48	49	56	56	58	58	58	58	57	58
<b>Culture and recreation</b>										
Parks acreage <sup>(1)</sup>	1,789	1,791	1,791	1,791	1,791	1,791	1,791	1,791	1,791	1,791
School parks acreage	675	751	751	751	751	751	751	751	751	751
Parks	23	23	23	23	23	23	23	23	23	23
Amphitheater	2	2	2	2	2	2	2	2	1	1
Baseball fields	38	38	39	39	39	41	42	42	42	42
Basketball courts	35	35	35	35	36	36	36	36	36	36
Boat ramps	3	3	3	3	3	3	3	3	3	3
Coliseum	1	1	1	1	1	1	1	1	1	1
Community centers	5	5	5	5	6	6	7	7	7	7
Convention center	1	1	1	1	1	1	1	1	1	1
Fitness trails	12	12	12	12	12	12	12	12	13	13
Football fields	20	20	21	21	21	21	21	21	21	21
Football stadium	1	1	1	1	1	1	1	1	1	1
Golf courses	2	2	2	2	2	2	2	2	2	2
Indoor swimming pools	1	2	2	2	3	3	3	3	2	2
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal parks	10	11	11	11	11	11	11	11	11	11
Museums	2	2	2	2	2	2	2	2	2	2
Outreach centers	4	4	4	4	4	4	4	4	4	4
Picnic shelters	26	26	26	26	26	26	27	27	28	28
Playgrounds	41	40	46	46	46	46	46	46	43	43
Senior citizens center	1	1	1	1	1	1	1	1	1	1
Soccer fields	30	30	33	33	33	33	33	33	33	33
Softball fields	16	17	17	17	17	17	17	17	17	17
Tennis courts	66	66	66	66	67	67	67	67	67	67
Theatres	1	1	1	1	1	1	1	1	1	1
Fort Wool	1	1	1	1	1	1	1	1	1	1
Fishing Pier					1	2	2	2	2	2
<b>Education</b>										
High schools	4	4	4	4	4	4	4	4	4	4
Middle schools	6	6	5	8	8	7	5	5	6	6
Elementary schools	23	23	20	20	20	20	24	19	19	19
Combined schools	-	-	-	-	2	2	2	2	2	2
<b>Wastewater</b>										
Sanitary sewer lines (miles)	469	469	469	426	426	426	490	497	572	572
Sewer Pumping stations	108	108	108	108	108	108	109	109	108	105

## 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, 2017. 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, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Item 2017-002. Our opinion on each major federal program is not modified with respect to this matter.

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

### **Report on Internal Control over Compliance**

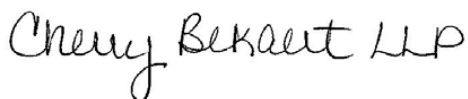
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-002, which 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, 2017

**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, 2017, 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, 2017. That report included an emphasis paragraph indicating that the net position of the Governmental Activities, aggregate discretely presented component units and Economic Development Authority as of June 30, 2016 has been restated. Our report includes a reference to other auditors who audited the financial statements of the Downtown Hampton Development Partnership, Inc. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Downtown Hampton Development Partnership, Inc. were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described at 2017-001 in the accompanying schedule of findings and questioned costs, which we consider to be a material weakness.

**Compliance and Other Matters**

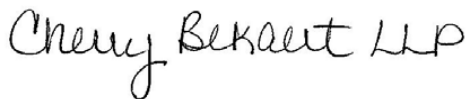
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and two instances of noncompliance that are required to be reported under the *Specifications for Audits of Counties, Cities and Towns*, which are described in the accompanying schedule of findings and questioned costs as item 2017-003 and 2017-004.

**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.



Virginia Beach, Virginia  
November 30, 2017

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

**Year Ended June 30, 2017**

**A. Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued on the financial statements:	<b>Unmodified</b>
Internal control over financial reporting:	
Material weaknesses identified:	<b>Yes, Finding 2017-001</b>
Significant deficiencies identified:	<b>None reported</b>
Noncompliance material to the financial statements noted?	<b>No</b>

Federal Awards:

Type of auditor's report issued on compliance for major programs:	<b>Unmodified</b>
Internal control over financial reporting:	
Material weaknesses identified:	<b>No</b>
Significant deficiencies identified:	<b>Yes, Finding 2017-002</b>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<b>Yes</b>

Identification of major federal programs:

<u>Program Description</u>	<u>CFDA #</u>
U.S. Department of Education	
Twenty-First Century Community Learning Centers	84.287
Department of Health and Human Services Administration for Children and Families	
Temporary Assistance for Needy Families	93.558
Medicaid Cluster	93.778
Title IV-E Foster Care Title IV-E	93.658
Department of Housing and Urban Development Office of Community Planning and Redevelopment	
Community Development Block Grant Program, Entitlement Grant	14.218
U.S. Department of Transportation	
Highway Planning and Construction Cluster	20.205
U.S. Department of Agriculture	
Child Nutrition Cluster	10.553/10.555/10.556/10.559

Dollar threshold to distinguish between Types A and B Programs:	<b>\$1,489,515</b>
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The City of Hampton was qualified as a low risk auditee?	<b>No</b>
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## **B. Findings – Financial Audit**

### **2017-001 Material Weakness – Internal Control over Financial Reporting – Correction of Errors**

#### **Criteria:**

Annual external reporting of the City's financial activities should be performed in accordance with the requirements of GAAP.

#### **Statement of Condition:**

In FY17, the Finance department included an additional step in the reconciliation process where they balanced the Economic Development Authority (EDA) land accounts to both the Assessor's records and the EDA's records; not just the current year transactions. With this additional step in the reconciliation, the Finance department discovered that certain land transactions between the City and EDA had not been properly recorded.

#### **Cause:**

The transaction was not properly accounted for in prior years and the City discovered the error during its year-end procedures.

#### **Effect or Potential Effect:**

An adjustment was made to the Governmental Activities, EDA and aggregate discreetly presented component units' net position related to land contributed by the City to the EDA in a prior fiscal year.

#### **Recommendation:**

We recommend the Finance department continue to reconcile balances for the EDA land accounts to both the Assessor's records and the finance department's records; not just the current year transactions.

#### **Views of Responsible Officials:**

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

An adjustment was made to the Governmental Activities and Economic Development Authority net position related to land contributed by the City to the EDA in a prior fiscal year.

Land transactions are presented to City Council (City transactions) and EDA Board (EDA transactions) for proper approval. Once approved by each, the finance department records transfer of land based on the support of the Council resolution, EDA Board minutes, and applicable contracts. To balance to the City Assessor's records at year-end, Finance obtains a list of current year land transactions from the Assessor and reconciles the information to the Finance Department's records.

In FY17, the Finance department included an additional step in the reconciliation process where they balanced the EDA land accounts to both the Assessor's records and the EDA's records; not just the current year transactions. With this additional step in the reconciliation, the Finance department discovered that land certain land transactions between the City and EDA had not been properly recorded. Parcel #13001177 was transferred on January 13, 2005 with an assessment value at the time of transfer of \$4,403,200 and Parcel #13002046 was transferred on July 19, 2007 with an assessment value at the time of transfer of \$1,264,300.

This information has been disclosed in our fiscal year 2017 CAFR in footnote number 16.



**C. Findings and Questioned Costs - Major Federal Awards**

**2017-002 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 2017, the City demonstrated some but not all required monitoring activities over the subrecipient agreement

**Perspective Information:**

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

**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 the City obtain an updated agreement between the City and subrecipient and the agreement 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:** The updated agreement between the City and subrecipient was delayed due to discrepancies with obtaining a release of funds. These issues were resolved per technical assistance received from HUD during a field office visit in October 2017. As of November 28, 2017, all applicable City staff has approved the agreement and the agreement has been forwarded to HRHA for approval. The City Manager will sign the agreement after HRHA's approval.

## D. Findings and Questioned Costs – Commonwealth of Virginia Compliance

### 2017-003 Nonmaterial Noncompliance – Public Depositories

#### Criteria:

In accordance with Section 2.2-4407 of the Code of Virginia, All public deposits must be made into a qualified public depository in accordance with the Virginia Security for Public Deposits Act (Section 2.2-4407 of the Code of Virginia). Treasurers must ensure the qualified depository identifies the account(s) as public deposits. Public deposits include all moneys of the Commonwealth, local governments, or constitutional officers of local governments, including any canteen and inmate trust funds held by the sheriff.

#### Statement of Condition:

The City held bank accounts that were not properly identified as public deposits.

#### Perspective Information:

There was one (1) bank account that was not properly identified as public deposits.

#### Cause:

The Hampton Coliseum Cash Order checking account was not reported as a public deposit for the second and third quarters of 2017.

#### Effect or Potential Effect:

The City held bank accounts that were not properly identified as public deposits.

#### Questioned Costs:

Non-financial finding.

#### Recommendation:

We recommend the City ensure all bank accounts held by the City as public deposits are properly reported to the bank.

#### Views of Responsible Officials:

- **Contact Person:** Karl Daughtery, Director of Finance
- **Corrective Action and Anticipated Completion Date:** The Hampton Coliseum Cash Order checking account was reported as a public deposit to the State's Treasury Department by Old Point National Bank (bank) for the first quarter of 2017; however, the bank inadvertently did not report the checking account as a public deposit for the second and third quarters of 2017. The bank's staff contacted the Treasury Department to determine if there was a process to correct the reporting for those quarters and was informed that there was no process for correcting past quarters. The bank has ensured us that this checking account will be correctly reported to the Treasury Department for all future quarters. In addition, the bank has agreed to provide us with a quarterly report so that we can review this information for accuracy.

## **2017-004 Nonmaterial Noncompliance – Social Services IT System Access**

### **Criteria:**

In accordance with Section 2.2-4407 of the Code of Virginia, when a user leaves the LDSS, their access privileges must be removed from all systems they were authorized to use within three (3) business days.

### **Statement of Condition:**

The City had one terminated employee whose system access privileges were not removed within three (3) business days.

### **Perspective Information:**

Out of a sample of four (4) individuals, there was one (1) instance where a terminated employee's system access was not removed within three (3) business days of termination.

### **Cause:**

Procedures were not established for removal of system access for terminated employees.

### **Effect or Potential Effect:**

Terminated employees may gain unauthorized access to the system.

### **Questioned Costs:**

Non-financial finding.

### **Recommendation:**

We recommend the City implement procedures to monitor the removal of system access for terminated employees.

### **Views of Responsible Officials:**

- **Contact Person:** Wanda Rodgers, Director of Social Services
- **Corrective Action and Anticipated Completion Date:** The agency concurs with the finding and will implement the following procedures: 1) Management must alert Human Resources (HR) immediately of an employee's termination, resignation or change in status such as FMLA. HR will complete the Local Agency Employee Separation Checklist form and email the Local Security Officer (LSO) for removal of system access within two business days of an employee's termination or change in status. In the event of immediate termination, the form will be completed and emailed to the LSO the same business day. It is further recommended that HR and the LSO review all employee related accesses in all systems to ensure compliance on a regular basis.

## **E. Resolution of Prior Year's Findings**

### **2016-001:**

Status: Corrected

### **2016-002:**

Status: Corrected

### **2016-003:**

Status: Not corrected; current year finding noted at 2017-002.

### **2016-004:**

Status: Corrected

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