

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

**For the Fiscal Year Ended June 30, 2007**

Prepared by:

Karl S. Daughtrey, Director of Finance

Sylvia L. Shanahan, Controller

and

The Department of Finance

**CITY OF HAMPTON, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 JUNE 30, 2006**

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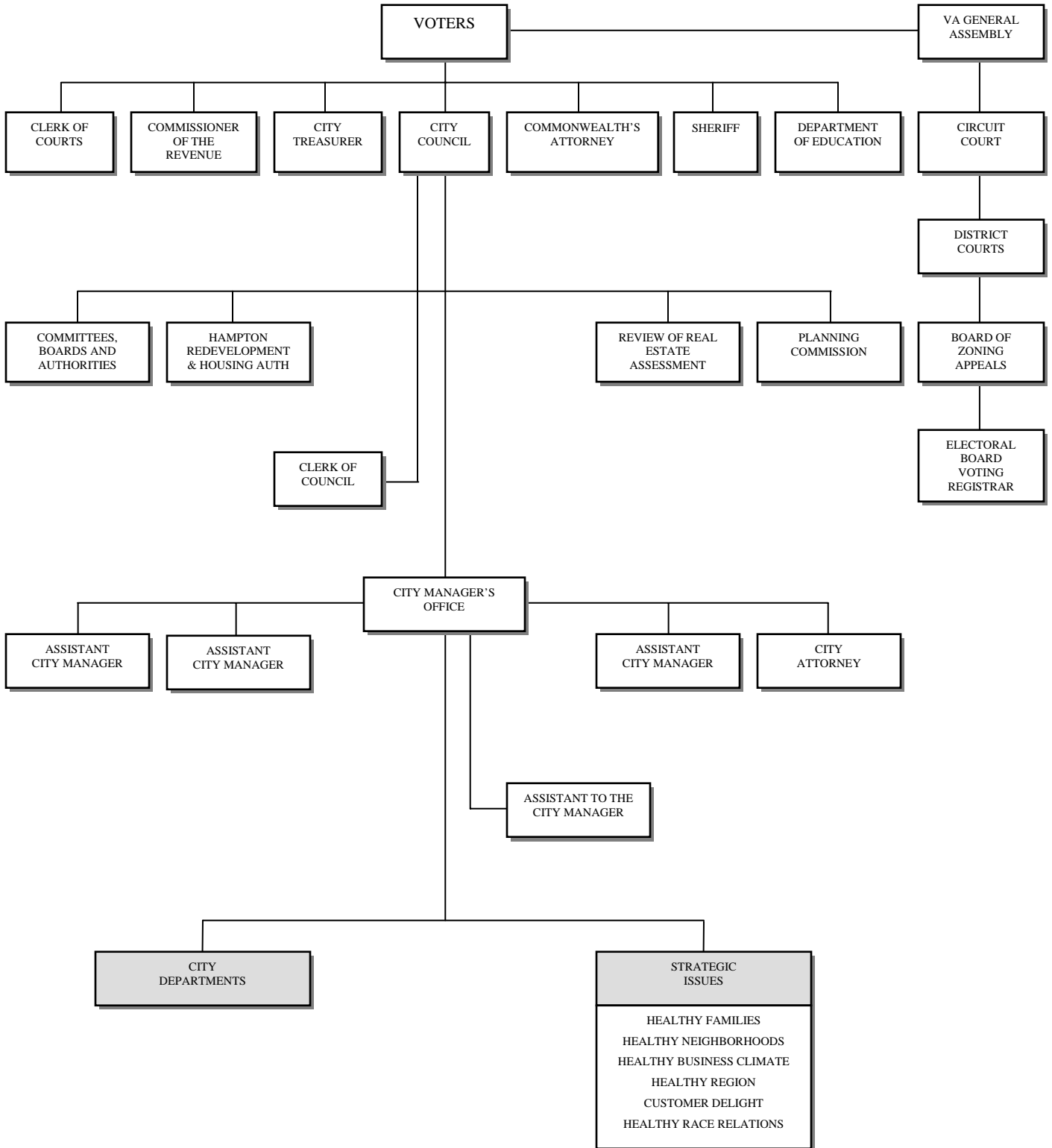
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**CITY OF HAMPTON, VIRGINIA**  
**June 30, 2007**



**CITY OF HAMPTON, VIRGINIA**  
**June 30, 2007**

**ELECTED OFFICIALS**

**CITY COUNCIL**

Ross A. Kearney, II, Mayor  
Randall A. Gilliland, Vice Mayor  
Angela Lee Leary  
Charles N. Sapp  
Joseph H. Spencer, II  
Rhet Tignor  
Paige V. Washington, Jr.

**CONSTITUTIONAL OFFICERS**

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

**APPOINTED OFFICIALS**

**CITY ADMINISTRATION**

Jesse T. Wallace, Jr. - City Manager  
Mary Bunting - Assistant City Manager  
James A. Peterson, CPA - Assistant City Manager  
John C. Eagle - Assistant City Manager  
Karl S. Daughtrey, CPA - Director of Finance  
Christine Snead - Director of Budget  
Sylvia L. Shanahan - City Controller

**CITY OF HAMPTON, VIRGINIA**  
**June 30, 2007**

**SCHOOL BOARD**

Lennie F. Routten, Chairman

Henry J. Godfrey, Vice Chairman  
Fred A. Brewer, Jr.  
Anderson W. Clary, Jr.

Linwood D. Harper  
Phyllis T. Henry  
Ruthann N. Kellum

**SCHOOL ADMINISTRATION**

Dr. Patrick Russo - Superintendent  
Dr. Patricia Johnson - Assistant Superintendent for Curriculum and Instruction Pre K-12  
Dr. Linda Shifflette - Assistant Superintendent for Instructional Support Pre K-12  
Dr. G. Victor Hellman, Jr. - Chief Operations Officer for Facilities and Business Support  
Dr. Mildred Sexton - Executive Director of Elementary School Leadership  
Dr. Patricia Leary - Executive Director of Elementary School Leadership  
Dr. Donna Woods - Executive Director of Secondary School Leadership  
Suzanna Scott - Director of Business and Financial Services  
Laura Thornton - Director of Human Resources  
Charles A. Roberts - Director of Facilities Planning and Construction  
Carolyn Bowers, Clerk of Board

**HAMPTON EMPLOYEES' RETIREMENT SYSTEM**

**BOARD OF TRUSTEES**

A. G. Womble, Jr., Chairman

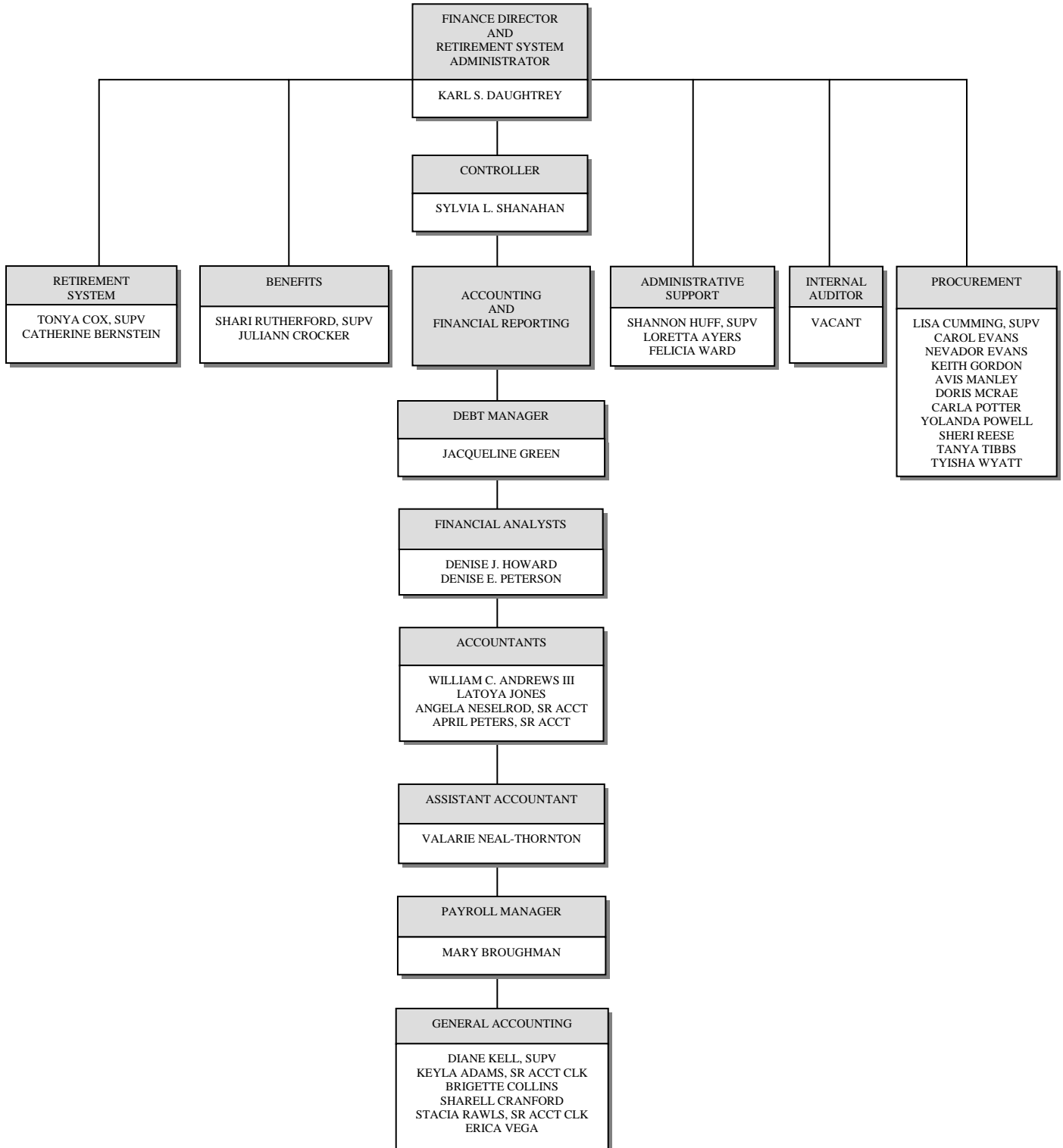
James A. Peterson, Vice Chairman  
Sally J. Andrews, Legal Counsel  
Sue Ange  
James Cross  
Donald Hundley

Randolph Lewis  
S. William Rhode  
Ann Stephens  
William F. Trimble, Jr.

Karl S. Daughtrey, Administrator and Treasurer  
Tonya E. Cox, Secretary



**CITY OF HAMPTON, VIRGINIA  
DEPARTMENT OF FINANCE  
June 30, 2007**



# LETTER OF TRANSMITTAL





## City of Hampton

December 7, 2007

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, 2007. State law requires the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with Government Auditing Standards by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and the report does comply with these guidelines and 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 selected by the City Council. Cherry, Bekaert & Holland, L.L.P., 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 & Holland, L.L.P have concluded that the financial statements are in compliance with generally accepted accounting

principles and have issued an unqualified opinion on the City of Hampton's financial statements for the year ended June 30, 2007. 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 auditors.

## **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, 2006, current estimated population in Hampton is 145,708. This indicates an increase in population of .1% or 200 from the 2005 estimate of 145,500.

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, and community development, etc. The City of Hampton and its citizens purchase their water and sewer service directly from the Newport News Waterworks and Hampton Roads Sanitation District, respectively.

During 2007, several awards and recognitions were received by the City of Hampton. They are listed below.

- Hampton was named as one of the 100 Best Communities for Young People. Hampton won due to its commitment to youth involvement. From the creation of the Youth Civic Engagement, to innovative schools, to Healthy Families, to the Youth Commission, to In-SYNC partnership, youth plays a vital role in Hampton.
- The Hampton Citizens' Unity Commission was selected as one of the winners of an Outstanding Achievement in Local Government Innovation Award by the Innovation Groups (IG). The award was presented at the Transforming Local Government Conference in Bellevue, WA.
- The Hampton Parks and Recreation Department won two statewide awards at the 2006 Virginia Research and Park Society (VRPS) annual conference. The department's Annual Report was selected as Best Promotional Effort for a basic piece and the Youth In Service (Y.E.S.) program received the Best New Program Award. Both awards were given in the 100,000 to 150,000 population group.
- The SOLD on Hampton program won first place in the category of Physical Revitalization projects at the first annual Best Neighborhood Program in Baton Rouge, LA. This program serves as an innovative model that weaves together public and private resources to restore old homes, reinvigorate neighborhoods, and reinvest in mature communities.
- Hampton City Schools was chosen by the American School Board Journal as the only school in Virginia to receive a 2007 MAGNA Award. These awards were created over 13 years ago to recognize excellent examples of school district leadership.

### *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 for and provides operating and capital funding. Their economic resources are either significant to the City or will impose a financial burden on the City. In addition to owning and operating the Hampton Coliseum and two (2) golf courses; in accordance with GASB 39, the City has included the financial data of seven discrete components units which are legally separate entities; Hampton City School Board, Industrial Development Authority (IDA), Federal Area Development Authority (FADA), Healthy Families Partnership, Inc., Coliseum Central Business Improvement District, Inc., Downtown Hampton Development Partnership, Inc., Foundation of the Virginia Air and Space Center.

The City has one blended component unit, the Hampton Redevelopment and Housing Authority (HRHA) whose governing board is substantively the same as the City of Hampton governing board, the City Council. HRHA is a legally separate public corporation, which was established under the laws of the

Commonwealth of Virginia to manage, operate, and provide low rent public housing within the City. Surpluses and deficits are the responsibility of HRHA. Budgetary approval, the signing of contracts, hiring of key personnel and control over facilities is all performed by HRHA.

### **Economic Conditions and Outlook**

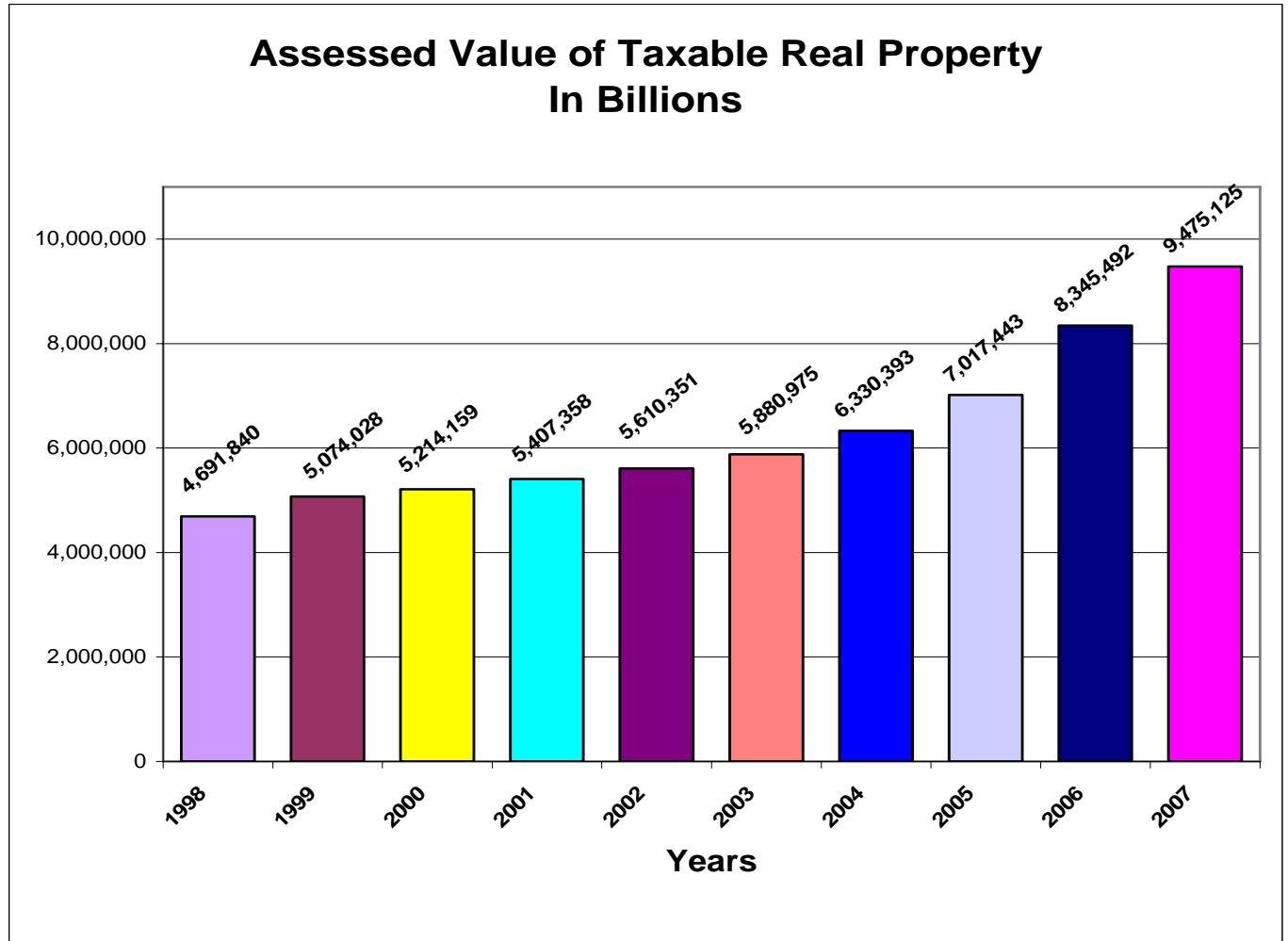
#### *Local Economy*

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 800,000 highly educated, skilled, and technically trained workers. Each year over 15,000 trained and disciplined personnel exit the military. Many of these persons elect to stay in the area and look for private sector employment. In addition, there are approximately 20,000 military spouses available to work.

During the past ten years, the unemployment rate has fluctuated from a low of 3.6 % to a year high of 5.4%. As of June 2007, the unemployment rate is 3.6%. This rate is above the State rate of 3.2% but below the U.S. rate of 4.70 %.

The assessed value of the City's residential and commercial property continues to increase reflecting strong local housing demand mainly due to low interest rates and the demand for housing. For the fiscal year 2007, the real property assessments have increased by approximately \$1.1 billion or 13.54%. Property values are expected to increase 17.56% in the next fiscal year.



#### *Economic Development*

The City is home to two institutes of higher education: Thomas Nelson Community College and Hampton University. Founded in 1868 as Hampton Institute, Hampton University was primarily built to provide education for freed slaves. Thomas Nelson Community College is a two-year institution of higher education established as a part of the statewide system of community colleges. After the site was purchased by the City of Hampton, the initial phase of construction began in August 1967 and the first classes began on September 20, 1968.

The Department of Economic Development has a Business Development Team whose primary goals are to retain and expand businesses in the city of Hampton; they also specialize in new and entrepreneur developments. During fiscal year 2007, this team was involved in 37 commercial projects totaling \$257.8 million in private investment, creating 1,772 new jobs and retaining 130 jobs within the office, manufacturing and warehouse sectors. A summary of some of the commercial activity/development that has taken place during fiscal year 2007 is as follows:

Hampton University broke ground in Hampton Roads Center South for its new 92,000 square foot Proton Therapy Institute. The Institute represents a \$200 million investment and is expected to create 125 new, high-paying jobs. Proton therapy is widely recognized as the most precise form of cancer treatment available.

The State Health Commissioner approved the Sentara CarePlex Hospital's application to construct a third tower adding a state-of-the-art cardiac care center and an additional 30 medical/surgical beds, to the 194 bed technologically advanced acute care facility. Sentara has partnered with the Hammes Corporation to develop the Sentara Fitness and Medical Arts Building as part of the Sentara Campus West Medical Expansion. The 3-story facility, now under construction, should be complete in December 2007.

Sprint Nextel, a major telecommunications company, increased its employment at its Hampton Roads Center Central locations and created 120 new jobs.

Devon USA, a Richmond, Virginia developer, commenced construction of Building B at the Enterchange at Hampton located in Copeland Industrial Park. Building B will consist of 470,000 square feet and is valued at \$26 million. The anticipated completion date is in the Spring of 2008.

Northrop Grumman is consolidating its shipyard operations and has entered into a lease agreement to occupy 361,000 square feet of space in Building B in Enterchange. The investment in the 15 year lease and the buildout of the space will be approximately \$45 million. The employment is expected to reach 131. Both the investment and employment are to occur in fiscal year 2008.

Lockheed Martin leased 40,000 square feet in the former Gateway facility in Hampton Roads Center South. In early fiscal year 2008, Lockheed will create 90 new jobs and invest \$2.4 million.

Science Systems and Applications, Inc. (SSAI), headquartered in Maryland, leased 22,400 square feet in Oxford Plaza in Hampton Roads Center South to accommodate its first Virginia office. SSAI will invest \$1 million and employ 230.

Verizon Fiber Optics Center hired an additional 500 employees to support its expanded Fiber Optics Call Center located in NetCenter.

TeleTech, a leading business process outsourcing (BPO) business, commenced hiring for 200 new jobs for its call center located in Hampton Roads Center Central.

### Military and Federal Research Facility

*Langley Air Force Base* is the oldest continuously active air base 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. Covering 2,900 acres, Langley has more than 8,900 military personnel and approximately 1,600 civilian employees with a combined payroll of \$533 million.

The *National Aeronautics and Space Administration's NASA Langley Research Center* is



located in Hampton adjacent to Langley Air Force Base. The Center is an important national resource serving inherent government functions such as safety, national defense, environment and the air transportation system. The Center has approximately 3,300 civil service and contract employees. According to Langley’s Economic Impact Summary, NASA Langley in Hampton generated \$2.3 billion in economic output and 21,000 jobs in the country in Fiscal Year 2006. The economic output of Langley Research Center was \$1 billion with 11,000 jobs in the Hampton Roads region for the same fiscal year.

*Fort Monroe* serves as the United States Army's Training and Doctrine Command and as the Army's Reserve Officers Training Corps (ROTC) Cadet Command School. As of May 2006, Fort Monroe employed 1,450 military personnel and 2,601 civilian personnel. Its combined payroll is \$201 million. Fort Monroe is slated for closure in 2011 as a result of the 2005 Base Closure and Realignment Commission decision.

### 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		
	2007	2006	Percent Increase (Decrease)
<u>Revenues and Other Financing Sources:</u>			
General Fund	\$ 280,351*	\$ 265,409*	5.63
School Operating	137,877*	121,325*	13.64
Total	418,228	386,734	8.14
<u>Expenditures and Other Financing Uses:</u>			
General Fund	204,028*	190,591*	7.05
School Operating	198,411*	179,474*	10.55
Total	402,439	370,065	8.75
Excess (deficiency) funded to (from) fund balance	\$ 15,789	\$16,669	

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

The General Fund revenues and other financing sources increased by approximately \$14.9 million over fiscal year 2006. The significant increases in General Fund revenues for fiscal 2007 were in general property tax collections, interest on investments, recovered cost for the Police and business license tax. Real estate tax collections increased by \$7.5 million as a result of a 13.5% increase in assessed values.

Personal property tax revenues increased \$1.6 million due to an increase in the collection rate from enhanced collection efforts. During 2007, interest on investments increased by \$1.44 million due to the rise in short-term investment interest rates. Recovered cost for the Police increased \$.7 million due to the increase in funds that were received from the state. Strong growth primarily in the service sector generated the increase of \$.6 million in business license tax.

The School Operating Fund revenues increased \$16.6 million over fiscal year 2006. The \$10.0 million increase in state reimbursements was based on student enrollment. The State required a mandatory 3% merit increase for teachers which accounted for \$1.0 million in salary reimbursements. In addition, state revenues increased \$1.7 million due to an increase in teacher's retirement contribution rate, \$1.0 million was provided to offset decline in student enrollment from the previous year, and \$1.2 million was provided to increase state funding for the per pupil funding and textbooks. Sales tax revenue increased \$.6 million over fiscal year 2006 because of additional "hold harmless" revenue from the state due to misforecast of projected sales tax revenues.

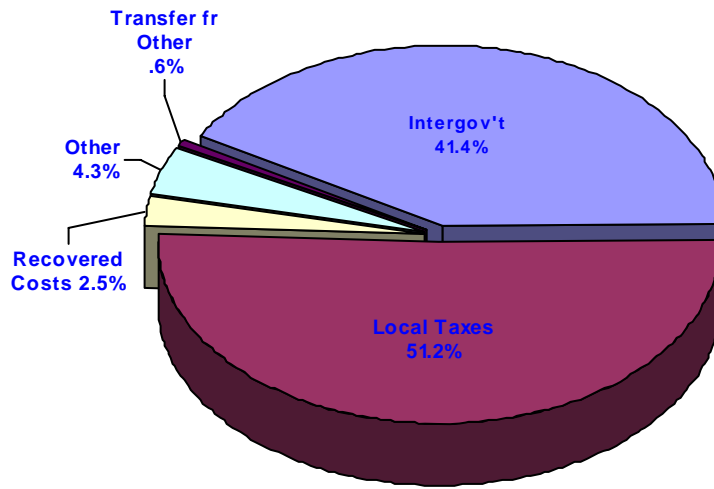
General Fund expenditures increased 7.05% over fiscal year 2006. The majority of this increase is due to performance increases averaging 3.6%, two (2) positions were added to the City Manager's office for FADA and Assistant to the City Manager and the vacancy in the Assistant City Manager's position was filled, contributions to Hampton Roads Transit (HRT) and Hampton Roads Regional Jail Authority (HRRJA) increased \$1.6 million, retirement and employee benefits increased \$2 million due to the increase in VRS contributions and the rise in health insurance. Public Safety expenditures increased \$2 million to support the salary and fixed cost increases.

The School Board Operating Fund expenditures increased by \$18.9 over fiscal year 2006. This increase was due primarily to a 4% salary increase for teachers and an increase in the cost of fringe benefits. Also \$1.3 million was spent for technology replacement and funding for the New Alternative School (Brideport Academy) during fiscal year 2007.

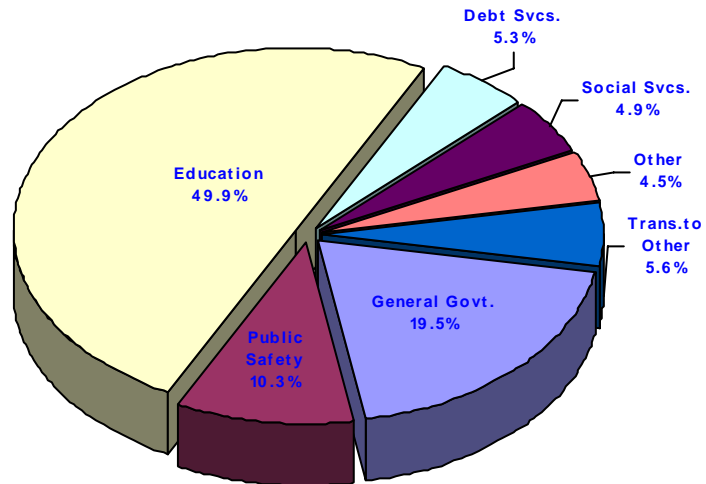
The graphs of the 2007 General Fund and School Operating Fund revenues and expenditures are as follows:

SEE FOLLOWING PAGE

### Revenues \$418,228,297



### Expenditures \$402,438,703



## Long Term Financial Planning

The City of Hampton is planning to issue \$145 million in General Obligation Public Improvement and Refunding Bonds in fiscal year 2008. The purpose of the bonds is to refund \$29.5 million in bond anticipation notes and to finance the cost of general capital improvements.

### 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, 2007, general obligation debt totaled \$206 million or 2.2 % 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, 2007, this would amount to \$333 million or 3.2% 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, 2007, this would amount to \$9 million or .09% 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, 2007, this would amount to \$29.5 million or 7.3% of total expenditures, which was within the policy parameter.

**3. General Obligation Debt Retirement Policy.** The City shall retire 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 61% of general bonded obligation debt in FY2018 which is within 10 years of the issue date of the General Obligation Public Improvement and Refunding Bonds, Series 2007.

**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, 2007, capital expenditures were \$9.7 million which is 3.5% 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 5 year period, 2008 through 2012, the City plans to use 17% of General Fund revenues on CIP projects.

**5. Undesignated Fund Balance.** The City will maintain an undesignated General Fund balance equal to 10% of total General Fund and School Operating Fund revenues. To the extent undesignated fund balance falls below the policy, the shortfall shall be replenished over a three-year

period. The undesignated fund balance at June 30, 2007 was \$54.6 million or 13% of estimated 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, Aa2 by Moody's Investor Services and AA by Fitch Rating.

### **Major Initiatives and Accomplishments**

The Power Plant of Hampton Roads is a lifestyle, retail-entertainment and big-box retail project developed by The Cordish Company. It has quickly become one of the premier entertainment districts in the Hampton Roads region. Anchored by Lowe's Home Improvement, BJ's Wholesale Club, and Bass Pro Shops Outdoor World, the Power Plant mixes retail, restaurants and nightlife around an 8-acre lake. Other tenants include nine restaurants and two select service hotels, SpringHill Suites by Marriott and Hilton Garden Inn. An additional 21,000 – 26,000 square feet of space is available. When completed, the Power Plant of Hampton Roads will constitute a private investment of up to \$110 million.

NASCAR Sports Grille is the most recent announcement of the Power Plant of Hampton Roads. This will be the third location in the nation, behind Orlando, Florida and Myrtle Beach, South Carolina. This premium sports themed concept is a combination restaurant, sports viewing arena, interactive sports gaming experience and retail store. The restaurant is expected to open in 2008.

Peninsula Town Center is a complete redevelopment of the existing 30-year old regional shopping center, Coliseum Mall. The new 1-million square foot mixed-use town center is under construction and will open in late 2008. This incredible blend of retail, restaurant, entertainment, residential, office, and public space constitutes a private investment in excess of \$200 million. The development is designed to create a pedestrian oriented town center environment. This is one of the largest private investments in the history of Hampton.

Boo Williams SportsPlex, will be a 130,000 square foot sports facility which will offer basketball, volleyball, indoor track and other sports events with the capability of seating 4,000 spectators. Over 75 AAU and other sporting events will be held at this facility each year. This represents a private investment of \$13.5 million and is expected to be operational in the spring of 2008.

Newmarket Creek Park is a 2.5 mile linear waterfront park that follows along Newmarket Creek, Lake Hampton, Coliseum Lake and Bass Pro Lake at the Power Plant, creating a picturesque environment. The multi-million dollar park will incorporate areas for entertainment, recreation and relaxation with water access, interactive fountains, and elevated boardwalks. It is designed to link major development projects and tourist attractions in Coliseum Central together, extending through the Crossroads community and the Power Plant. Construction on the first phase will begin in late fall of 2007.

H20 Residential Community, developed by L.M. Sandler & Sons, is located next to the Hampton Coliseum. This 516-unit residential community broke ground in 2006. Situated on New Market Creek and the Coliseum Lake, this development will include for-sale condominium flats, two-and three-story townhomes, and four-story "stacked" townhomes, representing an investment in excess of \$80 million. This premier community will be set apart by its enhanced streetscapes, distinctive water features, and a waterfront linear park in a unique urban setting.

### Awards and Achievements

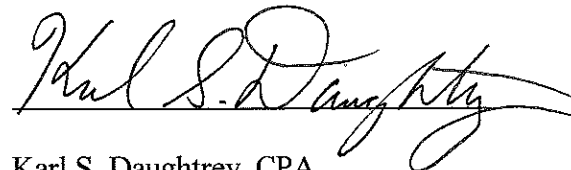
The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governmental units that publish an easily readable and efficiently organized comprehensive annual financial report that meets all generally accepted 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, 2006.

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 & Holland, L.L.P. 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, CPA  
Director of Finance



Sylvia L. Shanahan  
Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hampton  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

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# AUDITOR'S REPORT





## INDEPENDENT AUDITORS' REPORT

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

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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hampton Redevelopment and Housing Authority as of December 31, 2006, which is reported as a major fund and represents 19.0% and 15.3%, respectively of the assets and revenues of the business-type activities. Additionally, we did not audit the financial statements of the Downtown Hampton Development Partnership, Inc., the Healthy Families Partnership, Inc., or the Foundation of the Virginia Air and Space Center, which represents 3.4% and 1.0%, respectively, of the total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions on the basic financial statements insofar as they relate to the amounts included for the Hampton Redevelopment and Housing Authority, the Downtown Hampton Development Partnership, Inc., the Healthy Families Partnership, Inc., and the Foundation of the Virginia Air and Space Center, are based 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 *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2007, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 nonmajor fund financial statements, budgetary comparison schedules, other supporting schedules, statistical section, as well as the accompanying schedule of expenditures of federal awards as required by the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements, budgetary comparison schedules, and other supporting schedules including the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Cherry, Bekant & Holland, L.L.P.*

Virginia Beach, Virginia  
December 7, 2007

# MANAGEMENT'S DISCUSSION AND ANALYSIS



The following discussion and analysis of the City of Hampton's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it 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 \$14.1 million (Exhibit A-4) after making a \$62.2 million transfer to Hampton City Schools, \$9.8 million transfer to Capital Projects, \$8.2 million transfer to Enterprise Funds, \$4.2 million to Special Revenue Funds and \$21.5 million to Debt Service Funds.
- On a government-wide basis for governmental activities, the City's net assets increased by \$22.5 million (Exhibit A-2).
- In the City's business-type activities, on a government-wide basis, net assets increased by \$8.6 million (Exhibit A-2).
- The City's net assets, excluding component units, on the government-wide basis, totaled \$780 million at June 30, 2007. Of this amount, \$144 million is available for spending at the government's discretion (unrestricted net assets - 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. "Is the City as a whole better off or worse off as a result of this year's activities?" This is one of the most frequently asked questions about the City's finances. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. The Statement of Net Assets (Exhibit A-1) includes all of the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid, in the Statement of Net Activities (Exhibit A-2).

These two statements report the City's net assets and the changes in them. One can think of the City's net assets – the difference between assets and liabilities – as one way to measure

the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health 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 roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, found in Exhibits A-1 and A-2 respectively of this report, the City is divided as follows:

- Governmental activities – Most of the City's basic 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 it cover all or most of the cost of certain services it provides. The City's coliseum, golf courses, museum, convention center, sewer and trash collection operations are reported in this section. In addition, the City's blended component unit, Hampton Redevelopment and Housing Authority (HRHA), is reported here. HRHA's low rent housing operations are funded primarily by charges for rent and federal grants.
- Component units – The City includes seven separate legal entities in its report – the Hampton City School Board, Hampton Industrial Development Authority, Coliseum Central Business Improvement District, Inc., Downtown Hampton Development Partnership, Inc., Healthy Families Partnership, Inc., Foundation of the Virginia Air and Space Center and Federal Area Development Authority. Although legally separate, these component units are important because the City is either financially accountable for them and provides operating and capital funding or their economic resources are either significant to the City or entirely for the benefit of the City or its constituents.

## FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund statement presentation more familiar, although the focus is now on the City's most significant funds. The fund financial statements provide more information about the City's most significant funds – not the City as a whole. The City of Hampton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The City has three kinds of funds:

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information 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 them.

The basic governmental fund financial statements can be found in Exhibits A-3, A-4 and A-5 of this report.

The City of Hampton maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Economic Development Special Revenue Fund, Debt Service Fund and Capital Projects Fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements.

- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

In fact, 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 and HRHA maintains one. Information is presented separately in the proprietary fund statement of net assets, the proprietary fund statement of revenues, expenses and changes in fund net assets and the proprietary fund statement of cash flows for the Convention Center, the Hamptons, Museum, Wastewater Management and HRHA funds, all of which are considered to be major funds. Data for the other four enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of a combining statement.

The basic proprietary fund financial statements can be found in Exhibits A-6, A-7 and A-8 of this report.

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, computer and telecommunication services and risk management. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of these internal service funds is provided in the form of a combining statement.

The basic internal service fund financial statements can be found in Exhibits E-1, E-2 and E-3 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 assets and statements of changes in fiduciary net assets. 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 Assets (In Thousands)  
June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2007	2006	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 234,695	\$ 198,528	\$ 68,815	\$ 63,337	\$ 303,510	\$ 261,865	\$ 46,641	\$ 44,120
Capital assets	647,108	653,810	209,913	201,854	857,021	855,664	41,507	41,096
Total assets	<u>881,803</u>	<u>852,338</u>	<u>278,728</u>	<u>265,191</u>	<u>1,160,531</u>	<u>1,117,529</u>	<u>88,148</u>	<u>85,216</u>
Other Liabilities	77,557	54,146	14,917	12,308	92,474	66,454	16,054	12,803
Long-term liabilities	168,172	180,655	119,678	121,342	287,850	301,997	13,564	18,138
Total liabilities	<u>245,729</u>	<u>234,801</u>	<u>134,595</u>	<u>133,650</u>	<u>380,324</u>	<u>368,451</u>	<u>29,618</u>	<u>30,941</u>
Net assets, as restated:								
Invested in capital assets, net of related debt	503,514	503,004	92,152	76,141	595,666	579,145	41,387	41,746
Restricted	13,802	18,163	27,158	31,572	40,960	49,735	5,175	12,566
Unrestricted	118,758	96,370	24,823	23,828	143,581	120,198	11,968	(37)
Total net assets	<u>\$ 636,074</u>	<u>\$ 617,537</u>	<u>\$ 144,133</u>	<u>\$ 131,541</u>	<u>\$ 780,207</u>	<u>\$ 749,078</u>	<u>\$ 58,530</u>	<u>\$ 54,275</u>

The City’s combined net assets (which is the City’s bottom line) increased by 4 %, or \$31 million to \$780 million, of which approximately 5% represents resources that are subject to external restrictions. Investment in capital assets, less any related debt used to acquire those assets that is still outstanding, represents 76% of net assets. These assets are used to provide services to citizens and consequently are not available for future spending. The City’s unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – were \$144 million.



Table II  
Summary of Changes in Net Assets (In Thousands)  
For the Fiscal Years Ended June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenues:								
Program revenues:								
Charges for services	\$ 18,547	\$ 26,397	\$ 39,196	\$ 31,753	\$ 57,743	\$ 58,150	\$ 6,717	\$ 10,912
Operating grants and contributions	60,782	63,469	24,859	22,990	85,641	86,459	158,782	142,809
Capital grants and contributions	10,065	12,590	6,049	2,572	16,114	15,162		-
General revenues:								
Property taxes	148,851	138,079			148,851	138,079		
Other taxes	69,070	68,324			69,070	68,324	624	576
Other	12,749	7,355	5,494	3,583	18,243	10,938	66,443	64,777
Total revenues	<u>320,064</u>	<u>316,214</u>	<u>75,598</u>	<u>60,898</u>	<u>395,662</u>	<u>377,112</u>	<u>232,566</u>	<u>219,074</u>
Expenses:								
General government	\$ 99,822	\$ 98,637	\$ -	\$ -	\$ 99,822	\$ 98,637	\$ 6,431	\$ 12,705
Public safety	46,315	43,839			46,315	43,839		
Highways and streets	14,658	9,943			14,658	9,943		
Sanitation	2,867	2,346	19,479	14,415	22,346	16,761		
Health	3,125	2,900			3,125	2,900		
Human services	28,535	28,578			28,535	28,578	175	150
Culture and recreation	16,368	15,820	31,799	30,344	48,167	46,164	91	119
Education - payment to School Board	62,211	59,929			62,211	59,929		
Educational	6,519	4,464			6,519	4,464	221,614	206,673
Capital improvements		-			-	-		
Housing			24,013	23,433	24,013	23,433		
Interest on long-term debt	8,822	9,723	-	-	8,822	9,723	-	-
Total expenses	<u>289,242</u>	<u>276,179</u>	<u>75,291</u>	<u>68,192</u>	<u>364,533</u>	<u>344,371</u>	<u>228,311</u>	<u>219,647</u>
Increase (decrease) in net assets before transfers and special items	30,822	40,035	307	(7,294)	31,129	32,741	4,255	(573)
Transfers	(8,318)	(8,378)	8,318	8,378	-	-	-	-
Increase (decrease) in net assets	22,504	31,657	8,625	1,084	31,129	32,741	4,255	(573)
Net assets, July 1, as restated	613,570	585,880	135,508	130,457	749,078	716,337	54,275	54,848
Net assets, June 30	<u>\$ 636,074</u>	<u>\$ 617,537</u>	<u>\$ 144,133</u>	<u>\$ 131,541</u>	<u>\$ 780,207</u>	<u>\$ 749,078</u>	<u>\$ 58,530</u>	<u>\$ 54,275</u>

## GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2007, revenues from governmental activities totaled \$320 million. Revenues from governmental activities increased by \$3.8 million; primarily in property taxes and other taxes.

General property taxes, the City's largest revenue source, were \$148.9 million, an increase of \$10.7 million over the previous year. This revenue increase is primarily attributable to an increase in real property assessments of \$1.1 billion for fiscal year 2007. For fiscal year 2007, the real estate tax rate was reduced to \$1.14 per \$100 of assessed value in response to a projected 12.6% increase in real estate assessed values.

Program revenues are derived from the program itself and reduce the cost of the function to the City. Total program revenue for governmental activities was \$89.4 million. The most significant of these revenues is the revenue category "Operating Grants and Contributions". These revenues totaled \$60.8 million for the year ended June 30, 2007, a decrease of \$1.4 million over the previous year. Operating grants and contributions represent primarily state and federal operating grants.

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 \$69.1 million. This represents a \$.7 million increase over the previous year. The City continues to see positive growth in this year from investments in economic development projects.

For the fiscal year ended June 30, 2007, expenses for governmental activities totaled \$289.2 million, excluding transfers, an increase of \$13.1 million. Most of this increase was for compensation and benefits and the City's share of educational funding for the public school system.

## BUSINESS-TYPE ACTIVITIES

Business-type activities generated revenues of \$75.6 million, an increase of \$14.7 million over the previous year. This increase is attributable to the reclassification of the Refuse-Steam Plant fund from governmental activities to business-type activities in fiscal year 2007, an increase in ticket sales in the Coliseum, donations in the Museum Fund and capital contributions in the Wastewater Management Fund related to the Hampshire Glen project.

Expenses for the City's business-type activities totaled \$75.3 million, an increase of \$7.1 million over the previous year. This increase is attributable to the reclassification of the Refuse-Steam Plant fund from governmental activities to business-type activities in fiscal year 2007.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund's fund balance increased by \$14.1 million over fiscal year 2006. This was due to growth in real and personal property assessments and increase in collection rates.

The Capital Projects Fund generated a \$22.6 million increase in net assets from the issuance of \$29.4 million in Bond anticipation notes.

The Wastewater Management Fund increase in net assets of \$3.8 million was due to the increase in the number of sewer connection fees relating to new construction and neighborhoods connecting to the City sewer system.

HRHA, a blended component unit, received a capital contribution during the fiscal year which contributed to their net asset increase of \$3.3 million.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City Council revised the budget on several occasions. City Council appropriated \$5,822,261 from designated fund balance to fund uncompleted projects in the Capital Projects Fund. These projects were funded from the General Fund in fiscal year 2006 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, City Council appropriated \$1,405,759 from designated fund balance, which was based on fiscal year 2006 departmental savings. In addition, the remaining budget savings of \$3,131,262 from prior fiscal years were rolled over from fiscal year 2006 to fiscal year 2007. City Council adopted a budget savings program whereby departments will retain 65 percent of their end of the fiscal year budget savings, 10 percent will be put into an innovations pool and the remaining balance of 25 percent will return to fund balance. Also, the City reappropriated grant, donation, and other revenues.

Actual expenditures and transfers were \$17.7 million below the final budget. A significant amount of this variance (\$8 million) occurred in the general government function, which was related to unused budget savings (\$4.2 million) under the City's budget savings program. A \$4.9 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 reappropriated in the subsequent fiscal year.

Revenues exceeded the budget by \$14.1 million. This positive variance was primarily generated by \$2.8 million in real estate taxes, \$3.8 million in personal property taxes, \$1.7 million in interest on investments and a \$2 million payment from component unit-schools for debt service for the school construction program. The City continues to see positive growth in the business license, sales and meals taxes from investments in economic development projects. Real estate assessments increased by approximately 13.5%.

## CAPITAL ASSETS

The total increase over fiscal year 2006 in the City's investment in capital assets for the current fiscal year is \$5 million. At the end of fiscal year 2007, the City had invested \$860 million in a variety of capital assets and infrastructure, as reflected in the following schedule.

Table III  
Capital Assets (In Thousands)

The capital asset values for governmental and business-type activities for fiscal year 2007 have been restated.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Non-depreciable assets:						
Land and land improvements	\$ 464,642	\$ 456,771	\$ 25,332	\$ 22,349	\$ 489,974	\$ 479,120
Construction in progress	5,315	11,936	3,691	4,290	9,006	16,226
Other capital assets:						
Buildings and improvements	67,040	73,041	165,597	170,701	232,637	243,742
Improvements other than buildings	52,887	66,630	27,036	5,312	79,923	71,942
Equipment and vehicles	65,726	63,391	23,547	22,328	89,273	85,719
Exhibits			13,774	10,843	13,774	10,843
Infrastructure	93,667	87,191	61,230	56,561	154,897	143,752
Accumulated depreciation	(102,169)	(105,150)	(110,294)	(90,530)	(212,463)	(195,680)
Total	\$ 647,108	\$ 653,810	\$ 209,913	\$ 201,854	\$ 857,021	\$ 855,664

Component Units	School Board		Industrial Development Authority		Coliseum Central Business Improvement District, Inc.	
	2007	2006	2007	2006	2007	2006
Non-depreciable assets:						
Land and land improvements	\$ 5,058	\$ 5,058	\$ 15,803	\$ 15,803	\$ -	\$ -
Construction in progress			5,389	4,501		
Other capital assets:						
Buildings and improvements	49,508	49,508				
Improvements other than buildings	310	310	383	383		
Infrastructure			2,545	2,545		
Equipment and vehicles	31,253	30,765	50	50	72	83
Accumulated depreciation	(68,399)	(67,558)	(790)	(680)	(50)	(70)
Total	\$ 17,730	\$ 18,083	\$ 23,380	\$ 22,602	\$ 22	\$ 13

Component Units	Downtown Hampton Development Partnership, Inc.		Healthy Families Partnership, Inc.		Total	
	2007	2006	2007	2006	2007	2006
Non-depreciable assets:						
Land and land improvements						
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ 20,861	\$ 20,861
Other capital assets:					5,389	4,501
Buildings and improvements						
Improvements other than buildings					49,508	49,508
Infrastructure	427	427			1,120	1,120
Equipment and vehicles					2,545	2,545
Accumulated depreciation	70	81	12	12	31,457	30,991
Total	(122)	(114)	(12)	(8)	(69,373)	(68,430)
	<u>\$ 375</u>	<u>\$ 394</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 41,507</u>	<u>\$ 41,096</u>

The City's fiscal year 2008 capital budget sets forth \$302.8 million to be spent during fiscal year 2008 through 2012 in various projects: \$125.6 million in school construction and maintenance, \$42.3 million in street and infrastructure maintenance, \$10.4 million in building maintenance, \$17.4 million in community enhancements; \$5.7 million in strategic property acquisition and \$3 million in Stormwater projects. Construction began and/or was completed for a variety of street projects, building maintenance and infrastructure, education and other projects. 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 2007, the City had \$203.8 million in outstanding general obligation bonds, an increase of \$5.7 million or 3% over that held at June 30, 2006. 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 assessed valuation of real property. As of June 30, 2007, the City's aggregate general obligation indebtedness is \$742 million below this limit.

Table IV  
City of Hampton  
Change in General Obligation and Revenue Bonds (In Thousands)  
June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligation bonds	\$ 206,775	\$ 201,420	\$ -	\$ -	\$ 206,775	\$ 201,420
Revenue bonds			119,946	121,570	119,946	121,570
Less deferred amount for advance refunding	(2,997)	(3,350)	(1,192)	(1,380)	(4,189)	(4,730)
	<u>(2,997)</u>	<u>(3,350)</u>	<u>118,754</u>	<u>120,190</u>	<u>115,757</u>	<u>116,840</u>
Total primary government	<u>\$ 203,778</u>	<u>\$ 198,070</u>	<u>\$ 118,754</u>	<u>\$ 120,190</u>	<u>\$ 322,532</u>	<u>\$ 318,260</u>

**Component Unit - Industrial Development Authority**

Revenue bonds					\$ 9,270	\$ 10,966
---------------	--	--	--	--	----------	-----------

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's staff and City Council considered many factors when developing the fiscal year 2008 budget. One of the major factors considered was the economy.

- Continued growth in the area is expected to continue to increase the tax base. As a result, the City's largest revenue sources, real estate and property taxes, will increase.
- Significant growth in real estate assessments coupled with some return on several of the City's retail economic development initiatives and savings from a review of the City's operations have generated enough revenue to support a real estate tax reduction of eight-cents, from \$1.14 per \$100 of assessed value to \$1.06 per \$100 of assessed value.

The fiscal year 2008 approved budget for the General Fund is \$435,653,046, a 7.6 percent increase over the fiscal year 2007 budget. New budget initiatives are as follows: merit increases ranging from 0 to 5 percent for all employees and 12.6 percent increase in City's share of health insurance (\$4.1 million); and increases in debt services to pay for new redevelopment and school projects.

## 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.

# BASIC FINANCIAL STATEMENTS





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**City of Hampton  
Statement of Net Assets  
June 30, 2007**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Government</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 101,926,781	\$ 23,833,299	\$ 125,760,080	\$ 6,342,716
Cash with fiscal agent	58,082		58,082	2,138,113
Investments	98,091,043	7,158,868	105,249,911	105,066
Accounts receivables	23,390,853	3,315,210	26,706,063	363,476
Lease receivable			-	13,860,830
Due from component unit	3,050,001	15,260	3,065,261	
Due from primary government			-	4,590,766
Internal balances	5,081,573	(5,081,573)	-	
Due from other governments			-	5,910,755
Inventories	260,537	323,613	584,150	236,385
Prepaid items		60,720	60,720	32,192
Temporarily restricted assets:			-	
Cash and cash equivalents		7,047,576	7,047,576	2,818,788
Investments		26,236,484	26,236,484	840,328
Accounts receivable			-	1,515,816
Notes receivable	2,241,686	153,997	2,395,683	1,302,616
Deferred charges	594,830	2,320,904	2,915,734	
Land held for sale		3,430,650	3,430,650	6,582,844
Capital assets not being depreciated	469,957,127	29,023,966	498,981,093	26,249,707
Capital assets, net of accumulated depreciation	177,150,760	180,889,131	358,039,891	15,257,517
Total assets	<u>\$ 881,803,273</u>	<u>\$ 278,728,105</u>	<u>\$ 1,160,531,378</u>	<u>\$ 88,147,915</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 21,064,051	\$ 2,198,269	\$ 23,262,320	\$ 3,427,230
Due to other governments		217,394	217,394	
Due to component units	4,590,766		4,590,766	
Due to primary government				3,065,261
Unearned revenue	1,684,907	6,779,700	8,464,607	5,390,749
Matured bonds and coupons payable			-	
Current liabilities payable from restricted assets		3,339,785	3,339,785	
Interfund loans payable	(49,970)	49,970		
Notes and other long-term payables:				
Due within one year	8,503,751	673,064	9,176,815	3,754,687
Due in more than one year	6,157,985	2,583,356	8,741,341	4,709,878
Bonds payable:				
Due within one year	41,763,865	1,658,901	43,422,766	416,524
Due in more than one year	162,013,774	117,094,915	279,108,689	8,853,895
Total liabilities	<u>245,729,129</u>	<u>134,595,354</u>	<u>380,324,483</u>	<u>29,618,224</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	503,513,502	92,151,908	595,665,410	41,387,224
Restricted for:				
Capital projects	6,622,576	27,158,349	33,780,925	
Debt service	7,025,108		7,025,108	
Other purposes	155,367		155,367	5,174,932
Unrestricted	<u>118,757,591</u>	<u>24,822,494</u>	<u>143,580,085</u>	<u>11,967,535</u>
Total net assets	<u>636,074,144</u>	<u>144,132,751</u>	<u>780,206,895</u>	<u>58,529,691</u>
Total liabilities and net assets	<u>\$ 881,803,273</u>	<u>\$ 278,728,105</u>	<u>\$ 1,160,531,378</u>	<u>\$ 88,147,915</u>

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

**CITY OF HAMPTON, VIRGINIA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental activities:								
General government	\$ 99,821,522	\$ 6,581,374	\$ 13,201,180	\$ 1,115,467	\$ (78,923,501)	\$ -	\$ (78,923,501)	\$ -
Public safety	46,314,711	2,769,780	14,314,660	4,730,174	(24,500,097)		(24,500,097)	
Highways and streets	14,658,242		11,543,398		(3,114,844)		(3,114,844)	
Sanitation	2,867,229	3,836,014			968,785		968,785	
Health	3,125,365	2,387,034			(738,331)		(738,331)	
Human Services	28,535,378	450,594	21,448,782		(6,636,002)		(6,636,002)	
Culture and recreation	16,368,259	2,430,331	58,968		(13,878,960)		(13,878,960)	
Education (payment to school district)	62,210,746		214,699		(61,996,047)		(61,996,047)	
Education and educational services	6,518,836	91,494			(6,427,342)		(6,427,342)	
Capital improvements				4,219,883	4,219,883		4,219,883	
Interest on long-term debt	8,822,429	-	-	-	(8,822,429)		(8,822,429)	
Total governmental activities	289,242,717	18,546,621	60,781,687	10,065,524	(199,848,885)		(199,848,885)	
Business-type activities:								
Culture and recreation	31,798,994	15,969,657	4,705,890	3,446		(11,120,001)	(11,120,001)	
Sanitation	19,479,003	21,103,936		3,936,819		5,561,752	5,561,752	
Housing	24,012,841	2,122,367	20,153,591	2,108,591		371,708	371,708	
Total business-type activities	75,290,838	39,195,960	24,859,481	6,048,856		(5,186,541)	(5,186,541)	
<b>Total primary government</b>	<b>\$ 364,533,555</b>	<b>\$ 57,742,581</b>	<b>\$ 85,641,168</b>	<b>\$ 16,114,380</b>	<b>\$ (199,848,885)</b>	<b>\$ (5,186,541)</b>	<b>\$ (205,035,426)</b>	
<b>Component units</b>								
Public school system	\$ 221,614,040	\$ 5,317,464	\$ 158,257,129					(58,039,447)
Industrial development	4,420,157	1,419,031						(3,001,126)
Federal area development	573,640							(573,640)
Business improvement	772,470	32,750						(739,720)
Downtown development	665,065	139,988	248,165					(276,912)
Healthy families	175,158	21,697	107,643					(45,818)
Museum support	1,682,447	-	1,377,805					(304,642)
<b>Total component units</b>	<b>\$ 229,902,977</b>	<b>\$ 6,930,930</b>	<b>\$ 159,990,742</b>					<b>\$ (62,981,305)</b>

	<b>Net (Expense) Revenue and Change in Net Assets</b>			
	<b>Primary Government</b>			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>General revenues</b>				
Taxes:				
Property taxes	\$ 148,851,423	\$ -	\$ 148,851,423	\$ -
Sales taxes	13,804,658		13,804,658	
Lodging, meal and amusement taxes	17,863,740		17,863,740	
Motor vehicle taxes	3,602,448		3,602,448	
Alcoholic beverage taxes	175,831		175,831	
Business license taxes	12,391,459		12,391,459	
Utility taxes	8,550,036		8,550,036	
Tobacco taxes	3,941,825		3,941,825	
Emergency 911 telephone taxes	955,566		955,566	
Recordation taxes	2,659,374		2,659,374	
Bank stock taxes	308,626		308,626	
Pari-mutual license taxes	112,658		112,658	
Short-term rental taxes	135,842		135,842	
Special assessment taxes			-	623,679
Franchise license taxes	1,340,855		1,340,855	
Communication sales tax	3,188,586		3,188,586	
Mobile home titling tax	38,772		38,772	
Payments from (to) City of Hampton			-	65,635,160
Investment earnings	8,327,664	2,602,715	10,930,379	958,250
Miscellaneous	4,421,452	2,890,909	7,312,361	18,662
Transfers	<u>(8,318,188)</u>	<u>8,318,188</u>	-	-
Total general revenues and transfers	<u>222,352,627</u>	<u>13,811,812</u>	<u>236,164,439</u>	<u>67,235,751</u>
<b>Change in net assets</b>	22,503,742	8,625,271	31,129,013	4,254,446
<b>Net assets, beginning, as restated</b>	<u>613,570,402</u>	<u>135,507,480</u>	<u>749,077,882</u>	<u>54,275,245</u>
<b>Net assets, ending</b>	<u>\$ 636,074,144</u>	<u>\$ 144,132,751</u>	<u>\$ 780,206,895</u>	<u>\$ 58,529,691</u>

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

**CITY OF HAMPTON, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007**

<b>ASSETS</b>	<u>General Fund</u>	<u>Special Revenue - Economic Development</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 59,899,210	\$ 9,213,236	\$ 960,855	\$ 11,328,727	\$ 4,068,556	\$ 85,470,584
Investments	27,859,627			70,231,416		98,091,043
Accounts receivables:						
Taxes (net of allowance for uncollectibles)	6,628,363					6,628,363
Due from other governments	9,683,279				3,709,459	13,392,738
Other	2,607,923	71,831	1,291	35,902	565,989	3,282,936
Notes receivable		2,241,686			49,970	2,291,656
Due from other funds	7,952,140	1,277,028		4,825,637	1,638,582	15,693,387
Due from component units	2,022,141					2,022,141
Inventories	55,314					55,314
Advances to other funds	75,000	-	6,062,962	-	-	6,137,962
Total assets	<u>\$ 116,782,997</u>	<u>\$ 12,803,781</u>	<u>\$ 7,025,108</u>	<u>\$ 86,421,682</u>	<u>\$ 10,032,556</u>	<u>\$ 233,066,124</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 6,986,720	\$ 27,343	\$ -	\$ 2,479,792	\$ 1,499,271	\$ 10,993,126
Accrued health insurance	3,489,547					3,489,547
Claims payable	113,849					113,849
Accrued liabilities	2,732,116				138,208	2,870,324
Deferred revenue	5,769,231	2,249,612			936,651	8,955,494
Due to other funds	9,599,085	717,319			3,722,782	14,039,186
Due to component units	4,350,938	7,781	-	152,047	80,000	4,590,766
Total liabilities	<u>33,041,486</u>	<u>3,002,055</u>	<u>-</u>	<u>2,631,839</u>	<u>6,376,912</u>	<u>45,052,292</u>
Fund balances:						
Reserved for:						
Encumbrances	1,496,568					1,496,568
Courthouse maintenance	145,894					145,894
Hazmat	9,473					9,473
Advances to other funds	75,000		6,062,962			6,137,962
Grants compliance					735,356	735,356
Unreserved:						
Designated for:						
Succeeding fiscal year	27,395,834					27,395,834
Specific projects - Permanent fund					63,241	63,241
Specific projects - Special Revenue funds		3,787,460			365,317	4,152,777
E911 system - Special Revenue funds					137,448	137,448
Debt service			962,146			962,146
Construction projects				83,789,843		83,789,843
Undesignated, reported in:						
General fund	54,618,742					54,618,742
Special Revenue funds	-	6,014,266	-	-	2,354,282	8,368,548
Total fund balances	<u>83,741,511</u>	<u>9,801,726</u>	<u>7,025,108</u>	<u>83,789,843</u>	<u>3,655,644</u>	<u>188,013,832</u>
Total liabilities and fund balances	<u>\$ 116,782,997</u>	<u>\$ 12,803,781</u>	<u>\$ 7,025,108</u>	<u>\$ 86,421,682</u>	<u>\$ 10,032,556</u>	<u>\$ 233,066,124</u>

**Reconciliation of Balance Sheet of Governmental Funds to the Statement of Activities (Exhibit A-2) Net Assets**

Total fund balances of governmental funds	\$	188,013,832
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. (Note 6)		634,376,115
Other assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.		7,886,275
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 Assets.		
Net assets on Combining Statement of Net Assets - Internal Service Funds		25,927,535
Other liabilities not paid from current-period revenues are not reported in the funds for:		
Accrued interest		(2,958,955)
Interfund balances related to amounts eliminated in the Statement of Net Assets		(5,161,719)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds. (Note 8)		<u>(212,008,939)</u>
Net assets of governmental activities	\$	<u>636,074,144</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2007**

	General Fund	Special Revenue - Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
General property taxes	\$ 148,237,085	\$ -	\$ -	\$ -	\$ -	\$ 148,237,085
Other local taxes	66,240,029				2,296,421	68,536,450
Intergovernmental revenues:						
From the Commonwealth of Virginia	26,608,902			3,073,699	9,024,421	38,707,022
From the Federal government	9,901,673			1,190,879	5,627,871	16,720,423
Permits, privilege fees and regulatory licenses	1,568,309					1,568,309
Fines and forfeitures	2,142,191					2,142,191
Revenues from use of money and property	4,076,207	2,374,185	529,901	2,972,077	402,937	10,355,307
Charges for services	5,979,728				3,831,803	9,811,531
Payment from component unit	2,011,281					2,011,281
Miscellaneous	2,911,686	5,390	35,717	1,077,604	1,849,319	5,879,716
Recovered costs	10,261,483	-	296,424	-	-	10,557,907
Total revenues	<u>279,938,574</u>	<u>2,379,575</u>	<u>862,042</u>	<u>8,314,259</u>	<u>23,032,772</u>	<u>314,527,222</u>
<b>EXPENDITURES</b>						
Current:						
General government	78,394,016	1,438,637			7,957,861	87,790,514
Public safety	41,256,967				4,766,554	46,023,521
Highways and streets	2,404,701					2,404,701
Sanitation					2,882,691	2,882,691
Health	3,118,224					3,118,224
Human services	19,893,207				8,597,854	28,491,061
Culture and recreation	12,616,942				1,579,110	14,196,052
Education (payment to school district)	62,210,746					62,210,746
Education and educational services	2,313,642					2,313,642
Capital improvements				27,459,808		27,459,808
Debt service:						
Principal retirement			24,443,451			24,443,451
Interest and fiscal charges	-	-	9,348,462	-	-	9,348,462
Total expenditures	<u>222,208,445</u>	<u>1,438,637</u>	<u>33,791,913</u>	<u>27,459,808</u>	<u>25,784,070</u>	<u>310,682,873</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57,730,129</u>	<u>940,938</u>	<u>(32,929,871)</u>	<u>(19,145,549)</u>	<u>(2,751,298)</u>	<u>3,844,349</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from debt issuance and capital leases				29,540,000		29,540,000
Transfers in	412,731		21,921,071	12,466,671	4,851,146	39,651,619
Transfers out	(44,029,895)	(1,484,607)	-	(291,641)	(2,047,665)	(47,853,808)
Net other financing sources (uses)	<u>(43,617,164)</u>	<u>(1,484,607)</u>	<u>21,921,071</u>	<u>41,715,030</u>	<u>2,803,481</u>	<u>21,337,811</u>
<b>Net change in fund balances</b>	<u>14,112,965</u>	<u>(543,669)</u>	<u>(11,008,800)</u>	<u>22,569,481</u>	<u>52,183</u>	<u>25,182,160</u>
<b>Fund balances, beginning of year, as restated</b>	<u>69,628,546</u>	<u>10,345,395</u>	<u>18,033,908</u>	<u>61,220,362</u>	<u>3,603,461</u>	<u>162,831,672</u>
<b>Fund balances, end of year</b>	<u>\$ 83,741,511</u>	<u>\$ 9,801,726</u>	<u>\$ 7,025,108</u>	<u>\$ 83,789,843</u>	<u>\$ 3,655,644</u>	<u>\$ 188,013,832</u>





**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental:				
State funds	\$ 26,209,555	\$ 27,093,338	\$ 26,608,902	\$ (484,436)
Federal funds (includes pass through)	10,904,291	10,924,791	9,901,673	(1,023,118)
Local taxes	203,536,534	203,536,534	214,477,114	10,940,580
Licenses and permits	1,200,581	1,200,581	1,568,309	367,728
Fines and forfeitures	1,766,223	1,766,223	2,142,191	375,968
Revenue from use of money and property	2,242,523	2,242,523	4,076,207	1,833,684
Charges for services	6,155,381	6,155,381	5,979,728	(175,653)
Recovered costs	9,221,030	10,251,297	10,261,483	10,186
Payment from component unit	-	-	2,011,281	2,011,281
Miscellaneous	2,759,283	2,759,283	2,911,686	152,403
Total revenues	<u>263,995,401</u>	<u>265,929,951</u>	<u>279,938,574</u>	<u>14,008,623</u>
<b>EXPENDITURES</b>				
Current:				
General government	82,652,553	86,433,862	78,394,016	(8,039,846)
Public safety	38,634,899	41,901,188	41,256,967	(644,221)
Highways and streets	2,592,564	2,621,217	2,404,701	(216,516)
Health	2,999,448	3,265,178	3,118,224	(146,954)
Human services	21,086,172	21,743,093	19,893,207	(1,849,886)
Culture and recreation	13,033,807	13,895,574	12,616,942	(1,278,632)
Education	64,998,766	65,117,871	64,524,388	(593,483)
Total expenditures	<u>225,998,209</u>	<u>234,977,983</u>	<u>222,208,445</u>	<u>(12,769,538)</u>
Excess of revenues over (under) expenditures	<u>37,997,192</u>	<u>30,951,968</u>	<u>57,730,129</u>	<u>26,778,161</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			412,731	412,731
Transfers out	(40,397,192)	(48,955,821)	(44,029,895)	(4,925,926)
Total other financing sources (uses)	<u>(40,397,192)</u>	<u>(48,955,821)</u>	<u>(43,617,164)</u>	<u>(5,338,657)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(2,400,000)	(18,003,853)	14,112,965	<u>\$ 32,116,818</u>
<b>Appropriations from fund balance</b>	263,995,401	19,500,421		
<b>Appropriations - encumbrances</b>	<u>-</u>	<u>(1,496,568)</u>		
Budget - excess of revenues and appropriations from fund balance over (under) expenditures		-		
<b>Fund balance - July 1</b>	<u>-</u>	<u>-</u>	<u>69,628,546</u>	
<b>Fund balance - June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,741,511</u>	

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

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**CITY OF HAMPTON, VIRGINIA  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2007**

ASSETS	Business-Type Activities - Enterprise Funds						Governmental	
	Wastewater Management	The Hamptons	Museum	Convention Center	HRHA	Non-major Enterprise	Internal Service Funds	
Current assets:								
Cash and cash equivalents	\$ 1,119,257	\$ 171,010	\$ 100,982	\$ -	\$ 12,319,241	\$ 10,122,809	\$ 23,833,299	\$ 16,456,197
Cash with fiscal agent								58,082
Investments					7,158,868		7,158,868	
Restricted assets to be used to liquidate current liabilities:								-
Revenue Bond indenture:								-
Cash and cash equivalents				845,946			845,946	
Cash with fiscal agent			818,645	1,440,452			2,259,097	
Accounts receivable	634,461		29,115	326,603	412,993	1,912,036	3,315,208	86,816
Notes and mortgage receivable	24,623				83,247		107,870	
Due from other funds	1,771	1,398	130,611	516,263		56,309	706,352	2,476,926
Due from component units						15,261	15,261	1,027,860
Inventories	57,447	32,560	124,256	11,196	11,801	86,353	323,613	205,223
Prepaid expense			58,779			1,941	60,720	
Restricted assets:								-
Revenue Bond indenture:								-
Cash and cash equivalents		263,831	1,540,063	655,374			2,459,268	
Investments		323,256		25,913,228			26,236,484	
Other:								-
Cash and cash equivalents	-	-	-	-	1,483,265	-	1,483,265	-
<b>Total current assets</b>	<u>1,837,559</u>	<u>792,055</u>	<u>2,802,451</u>	<u>29,709,062</u>	<u>21,469,415</u>	<u>12,194,709</u>	<u>68,805,251</u>	<u>20,311,104</u>
Noncurrent Assets:								
Notes and mortgage receivable					46,127		46,127	
Deferred charges		18,957	216,397	2,085,550			2,320,904	
Real property for resale					3,430,650		3,430,650	
Capital assets:								
Land and improvements	145,615	3,710,566	1,921,420	5,332,401	6,951,964	7,270,791	25,332,757	
Buildings and improvements	1,706,026	2,342,593	26,718,273	89,858,046	30,880,851	14,090,995	165,596,784	
Improvements other than buildings	306,392	9,316	6,800	3,107,710			23,605,711	
Equipment	3,512,340	889,427	3,622,685	845,840	2,292,866	12,384,330	23,547,488	31,332,642
Construction in progress	517,231		102		3,066,349	107,527	3,691,209	
Exhibits			13,773,914				13,773,914	
Infrastructure	61,230,185						61,230,185	
Less accumulated depreciation	(24,112,656)	(5,162,300)	(23,465,450)	(5,745,993)	(15,131,702)	(36,677,068)	(110,295,169)	(18,600,870)
Net capital assets	<u>43,305,133</u>	<u>1,789,602</u>	<u>22,577,744</u>	<u>93,398,004</u>	<u>28,060,328</u>	<u>20,782,286</u>	<u>209,913,097</u>	<u>12,731,772</u>
<b>Total noncurrent assets</b>	<u>43,305,133</u>	<u>1,808,559</u>	<u>22,794,141</u>	<u>95,483,554</u>	<u>31,537,105</u>	<u>20,782,286</u>	<u>215,710,778</u>	<u>12,731,772</u>
<b>Total assets</b>	<u>\$ 45,142,692</u>	<u>\$ 2,600,614</u>	<u>\$ 25,596,592</u>	<u>\$ 125,192,616</u>	<u>\$ 53,006,520</u>	<u>\$ 32,976,995</u>	<u>\$ 284,516,029</u>	<u>\$ 33,042,876</u>

	Business-Type Activities - Enterprise Funds						Governmental	
	Wastewater Management	The Hamptons	Museum	Convention Center	HRHA	Non-major Enterprise	Totals	Internal Service Funds
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable	\$ 54,594	\$ 139,164	\$ -	\$ -	\$ 422,309	\$ 908,544	\$ 1,524,611	\$ 600,945
Accrued liabilities				19,206			19,206	
Accrued interest payable		8,000	189,869			71,628	269,497	-
Accrued leave	137,096	7,646	57,309		55,296	192,122	449,469	105,995
Due to other funds	147,774	2,636,167	749,000			1,278,741	4,811,682	25,797
Due to other governments					217,394		217,394	
Deferred revenue			192,842		5,744,284	842,574	6,779,700	20,857
Current portion of long-term debt		346,246	1,274,051	144,850	97,659	19,690	1,882,496	4,227,869
Current liabilities payable from restricted assets:								
Accounts payable			582,949	273,313			856,262	
Accrued interest payable				2,483,523			2,483,523	
Other liabilities	50,477	14,705	-	58,952	166,421	144,369	434,924	37,306
Total current liabilities	<u>389,941</u>	<u>3,151,928</u>	<u>3,046,020</u>	<u>2,979,844</u>	<u>6,703,363</u>	<u>3,457,668</u>	<u>19,728,764</u>	<u>5,018,769</u>
Noncurrent liabilities:								
Claims Payable								727,349
Accrued leave	26,815	25,653			346,803	287,778	687,049	59,853
Bonds payable		1,331,026	7,374,249	108,389,640			117,094,915	
Notes payable					772,684		772,684	1,309,370
Obligations under capital leases		1,123,623					1,123,623	
Advances from other funds	-	-	75,000	-	-	6,062,962	6,137,962	-
Total noncurrent liabilities	<u>26,815</u>	<u>2,480,302</u>	<u>7,449,249</u>	<u>108,389,640</u>	<u>1,119,487</u>	<u>6,350,740</u>	<u>125,816,233</u>	<u>2,096,572</u>
Total liabilities	<u>416,756</u>	<u>5,632,230</u>	<u>10,495,269</u>	<u>111,369,484</u>	<u>7,822,850</u>	<u>9,808,408</u>	<u>145,544,997</u>	<u>7,115,341</u>
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	43,305,133	(1,011,293)	13,929,444	(12,023,957)	27,189,985	20,762,596	92,151,908	11,109,830
Restricted	-	587,087	1,775,759	23,312,238	1,483,265		27,158,349	
Unrestricted	1,420,803	(2,607,410)	(603,880)	2,534,851	16,510,420	2,405,991	19,660,775	14,817,705
Total net assets (deficit)	<u>44,725,936</u>	<u>(3,031,616)</u>	<u>15,101,323</u>	<u>13,823,132</u>	<u>45,183,670</u>	<u>23,168,587</u>	<u>138,971,032</u>	<u>25,927,535</u>
Total liabilities and net assets	<u>\$ 45,142,692</u>	<u>\$ 2,600,614</u>	<u>\$ 25,596,592</u>	<u>\$ 125,192,616</u>	<u>\$ 53,006,520</u>	<u>\$ 32,976,995</u>	<u>\$ 284,516,029</u>	<u>\$ 33,042,876</u>

**Reconciliation of the Statement of Net Assets for Proprietary Funds to the Statement of Activities (Exhibit A-2)**

Net assets of enterprise funds	\$ 138,971,032
Amounts reported for business-type activities in the Statement of Net Assets are different because:	
Net revenue of internal service funds are allocated to funds receiving services	458,626
Interfund reimbursement for allocated overhead costs	4,703,093
Net assets business-type activities	<u>\$ 144,132,751</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2007**

	Business-Type Activities - Enterprise Funds		
	Wastewater Management	The Hamptons	Museum
<b>Operating revenues:</b>			
Charges for services	\$ 5,606,094	\$ 916,639	\$ 2,403,281
Federal revenues			1,664,778
Other	-	-	3,539,692
Total operating revenues	<u>5,606,094</u>	<u>916,639</u>	<u>7,607,751</u>
<b>Operating expenses:</b>			
Personal services	1,768,009	414,483	1,635,601
Fringe benefits	561,740	101,600	434,780
Promoters' fees			
City-sponsored events			
Cost of goods sold	110,975	36,539	163,700
Utilities	135,083	42,455	342,874
Insurance	53,265	25,438	65,620
Operating supplies	489,797	93,378	2,284,224
Equipment rental		221,855	219,064
Equipment and building repairs	314,913	89,768	133,605
Telephone and postage	21,870	5,546	63,579
Amusement tax			
General expense	67,338	4,203	
Claims			
Landfill costs			
Contractual services	187,913	54,747	385,867
Indirect cost	456,000		
Housing assistance payments			
Depreciation and amortization	1,118,923	284,223	2,174,507
Total operating expenses	<u>5,285,826</u>	<u>1,374,235</u>	<u>7,903,421</u>
Operating income (loss)	<u>320,268</u>	<u>(457,596)</u>	<u>(295,670)</u>
<b>Nonoperating revenues (expenses):</b>			
Interest income	1,755	23,927	297,637
Interest and fiscal charges		(228,428)	(391,588)
Other			
Gain (loss) on sale of capital assets	(311)		
Net increase (decrease) in fair value of investments	-	6,498	-
Total nonoperating revenues (expenses)	<u>1,444</u>	<u>(198,003)</u>	<u>(93,951)</u>
Income (loss) before transfers and capital contributions	321,712	(655,599)	(389,621)
Capital contributions	3,537,130		
Transfers in (out)	<u>-</u>	<u>630,000</u>	<u>1,776,976</u>
<b>Change in net assets</b>	<b>3,858,842</b>	<b>(25,599)</b>	<b>1,387,355</b>
<b>Net assets, (deficit) beginning of year, as restated</b>	<u>40,867,094</u>	<u>(3,006,017)</u>	<u>13,713,968</u>
<b>Net assets, (deficit) end of year</b>	<u>\$ 44,725,936</u>	<u>\$ (3,031,616)</u>	<u>\$ 15,101,323</u>

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

Change in net assets - total enterprise funds

Amounts reported for business-type activities in the Statement of Activities are different because:

Internal service funds are used by management to charge the costs of certain activities to individual funds.

The net revenue of the internal service fund is reported with governmental activities.

Interfund reimbursement for allocated overhead costs

Change in net assets of business-type activities

Business-Type Activities - Enterprise Funds				Governmental
Convention Center	HRHA	Non-major Enterprise	Totals	Internal Service Funds
\$ 1,699,750	\$ 2,122,367	\$ 26,447,832	\$ 39,195,963	\$ 16,058,358
-	20,086,081	-	21,750,859	-
1,699,750	2,357,717	-	5,897,409	-
	24,566,165	26,447,832	66,844,231	16,058,358
948,294	1,799,615	5,216,109	11,782,111	1,427,504
339,879	548,050	1,783,976	3,770,025	514,292
		4,563,445	4,563,445	
		899,823	899,823	
		281,369	592,583	3,034,679
810,131	883,347	678,822	2,892,712	46,572
81,388	273,165	552,164	1,051,040	1,758,063
195,138		843,753	3,906,290	131,103
		67,919	508,838	83,008
97,588	1,435,719	1,960,035	4,031,628	168,893
49,452		44,874	185,321	864,577
		675,725	675,725	
294,543		731,047	1,097,131	66,630
				5,054,683
		4,281,551	4,281,551	-
176,602	4,388,473	892,247	6,085,849	15,447
		694,470	1,150,470	-
	13,597,987		13,597,987	
2,647,334	1,043,705	1,778,850	9,047,542	2,516,850
5,640,349	23,970,061	25,946,179	70,120,071	15,682,301
(3,940,599)	596,104	501,653	(3,275,840)	376,057
1,549,923	613,147	38,276	2,524,665	669,185
(5,363,125)	(42,780)	(295,315)	(6,321,236)	(33,299)
		34,608	34,608	3,475
	67,510		67,199	76,493
71,551	-	-	78,049	-
(3,741,651)	637,877	(222,431)	(3,616,715)	715,854
(7,682,250)	1,233,981	279,222	(6,892,555)	1,091,911
	2,108,591	403,446	6,049,167	970,641
5,966,213	-	(55,000)	8,318,189	(116,000)
(1,716,037)	3,342,572	627,668	7,474,801	1,946,552
15,539,169	41,841,098	22,540,919	131,496,231	23,980,983
\$ 13,823,132	\$ 45,183,670	\$ 23,168,587	\$ 138,971,032	\$ 25,927,535
			\$ 7,474,801	
			1,150,470	
			\$ 8,625,271	

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**June 30, 2007**

	Business-Type Activities- Enterprise Funds		
	Wastewater Management	The Hamptons	Museum
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 5,528,763	\$ 915,519	\$ 7,594,356
Grants received			
Cash payments to suppliers for goods and services	(1,716,248)	(546,927)	(4,243,797)
Cash payments to employees for services	(2,333,894)	(380,680)	(1,632,151)
Other receipts (payments)	-	-	-
Net cash provided by (used in) operating activities	<u>1,478,621</u>	<u>(12,088)</u>	<u>1,718,408</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in from other funds		630,000	1,796,945
Cash paid to other funds	-	-	(24,000)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>630,000</u>	<u>1,772,945</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(1,354,485)	(13,754)	(2,066,976)
Principal paid on revenue bond maturities and long-term debt		(317,242)	(1,185,000)
Interest paid on revenue bonds and long-term debt		(243,439)	(403,438)
Proceeds from issuance of revenue bonds and long-term debt			75,000
Capital grants			
Proceeds from sale of capital assets	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>(1,354,485)</u>	<u>(574,435)</u>	<u>(3,580,414)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment securities		(13,160)	
Sale of investment securities			
Interest and dividends on investments	<u>1,755</u>	<u>23,927</u>	<u>233,586</u>
Net cash provided by (used in) investing activities	<u>1,755</u>	<u>10,767</u>	<u>233,586</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	125,891	54,244	144,525
Cash and cash equivalents (including restricted), July 1	<u>993,366</u>	<u>380,597</u>	<u>2,315,165</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 1,119,257</u>	<u>\$ 434,841</u>	<u>\$ 2,459,690</u>

Convention Center		HRHA	Non-major Enterprise	Totals	Governmental Activities Internal Service Funds
\$ 1,481,202	\$ 1,873,226	\$ 26,579,704	\$ 43,972,770	\$ 14,775,213	
	20,086,081		20,086,081	-	
(2,542,801)	(2,445,190)	(18,535,805)	(30,030,768)	(10,035,905)	
(992,127)	(3,039,191)	(5,125,512)	(13,503,555)	(1,727,034)	
-	(14,030,411)	-	(14,030,411)	-	
<u>(2,053,726)</u>	<u>2,444,515</u>	<u>2,918,387</u>	<u>6,494,117</u>	<u>3,012,274</u>	
5,966,213		(55,000)	8,338,158	-	
-	-	-	(24,000)	(212,984)	
<u>5,966,213</u>	<u>-</u>	<u>(55,000)</u>	<u>8,314,158</u>	<u>(212,984)</u>	
(92,105)	(2,172,746)	(1,017,374)	(6,717,440)	(4,488,855)	
	(101,151)	(266,118)	(1,869,511)	(334,736)	
(5,363,125)	(42,780)	(297,793)	(6,350,575)	(33,299)	
		35,717	110,717	1,269,094	
	2,108,591	400,000	2,508,591		
-	1,933,087	-	1,933,087	100,380	
<u>(5,455,230)</u>	<u>1,725,001</u>	<u>(1,145,568)</u>	<u>(10,385,131)</u>	<u>(3,487,416)</u>	
(79,900,031)			(79,913,191)		
80,745,250	3,446,642		84,191,892		
<u>1,621,474</u>	<u>613,147</u>	<u>34,501</u>	<u>2,528,390</u>	<u>667,387</u>	
<u>2,466,693</u>	<u>4,059,789</u>	<u>34,501</u>	<u>6,807,091</u>	<u>667,387</u>	
923,950	8,229,305	1,752,320	11,230,235	(20,739)	
<u>2,017,822</u>	<u>5,573,201</u>	<u>8,370,489</u>	<u>19,650,640</u>	<u>16,535,018</u>	
<u>\$ 2,941,772</u>	<u>\$13,802,506</u>	<u>\$ 10,122,809</u>	<u>\$ 30,880,875</u>	<u>\$ 16,514,279</u>	

continued



	Business-Type Activities- Enterprise Funds		
	Wastewater Management	The Hamptons	Museum
Operating income (loss)	\$ 320,268	\$ (457,596)	\$ (295,670)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	1,118,923	284,223	2,174,507
Decrease (increase) in:			
Accounts receivable	(75,560)		(13,395)
Due from other funds	(1,771)	835	19,969
Due from component units			
Inventories	1,037	127	(165)
Prepaid expenses		5,960	(58,778)
Increase (decrease) in:			
Accounts payable	7,959	127,790	
Accrued leave	(6,790)		
Due to other funds	111,910	30,463	(24,000)
Other liabilities	2,645	(4,585)	
Deferred revenue		(1,955)	(144,517)
Current liabilities payable from restricted assets			52,976
Current portion of long-term accrued claims reported as operating activity			
Due to other funds reported as nonoperating activities			4,031
Accounts payable reported as nonoperating activities			
Long-term accrued leave reported as operating activity		2,650	3,450
Current portion of long-term debt reported as nonoperating activity			
Nonoperating revenues reported as operating revenues	-	-	-
Total adjustments	1,158,353	445,508	2,014,078
Net cash provided by (used in) operating activities	\$ 1,478,621	\$ (12,088)	\$ 1,718,408
Non-cash transactions affecting investing capital and related financing activities:			
Acquisition of capital assets through other funds capital contributions	\$ 3,537,130	\$ -	\$ -
Net decrease (increase) in fair value of investments	-	(6,498)	-
Total non-cash transactions	\$ 3,537,130	\$ (6,498)	\$ -

Convention Center	HRHA	Non-major Enterprise	Totals	Governmental Internal Service Funds
\$ (3,940,599)	\$ 596,104	\$ 501,653	\$ (3,275,840)	\$ 376,057
2,647,334	1,043,705	1,778,850	9,047,542	2,516,850
(218,548)	(249,141)	(172,645)	(729,289)	(14,404)
(93,510)	(336,625)	22,911	(388,191)	(254,121)
(1,787)	33,893	12,110	45,215	(1,000,000)
	894,978	(1,941)	840,219	(23,855)
(369,396)	42,978	258,011	67,342	(14,427)
(29,521)	6,522	23,981	(5,808)	23,695
(7,433)	336,625	180,763	628,328	(183,466)
104,584	75,476	1,182	179,302	5,789
		278,905	132,433	(18,093)
			52,976	
			-	1,733,437
			4,031	96,984
			-	87,113
			6,100	
(144,850)			(144,850)	(322,760)
-	-	34,607	34,607	3,475
1,886,873	1,848,411	2,416,734	9,769,957	2,636,217
\$ (2,053,726)	\$ 2,444,515	\$ 2,918,387	\$ 6,494,117	\$ 3,012,274
\$ -	\$ 2,108,591	\$ 3,446	\$ 5,649,167	\$ -
(71,551)	-	-	(78,049)	970,641
\$ (71,551)	\$ 2,108,591	\$ 3,446	\$ 5,571,118	\$ 970,641

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2007**

	Pension Trust Hampton Employees' Retirement System	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 112,597	\$ 660,351
Investments:		
Bond mutual funds	54,651,537	
Common stock	42,235	
Stock mutual funds	124,498,322	
Receivables:		
Accrued interest	1	
Accounts	125,131	661,824
Property, Plant, and Equipment		
Office and Operating Equipment	5,350	
Less Accumulated Depreciation	(2,263)	-
Total assets	\$ 179,432,910	\$ 1,322,175
<b>LIABILITIES</b>		
Deposits	\$ -	\$ 1,239,212
Accounts payable	117,669	82,963
Total liabilities	117,669	\$ 1,322,175
<b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	\$ 179,315,241	

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

**CITY OF HAMPTON, VIRGINIA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
Fiscal Year Ended June 30, 2007**

	Hampton Employees' Retirement System
<b>ADDITIONS</b>	
Investment income:	
Net appreciation in fair value of investments	\$ 21,072,395
Interest	2,493
Dividends	5,122,645
Other	133,213
Total investment earnings	26,330,746
Less investment expenses	(26,381)
Net investment earnings	26,304,365
Employer Contributions	1,885,505
Total additions	28,189,870
<b>DEDUCTIONS</b>	
Benefits	14,289,857
Administrative expenses	165,392
Total deductions	14,455,249
<b>Change in net assets</b>	13,734,621
<b>Net assets, July 1</b>	165,580,620
<b>Net assets, June 30</b>	\$ 179,315,241

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

**COMBINING STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
June 30, 2007**

	<b>Governmental</b>	<b>Business-Type Activities</b>	
	<b>Activities</b>	Industrial	Federal Area
	School Board	Development Authority	Development Authority
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,394,995	\$ 930,109	\$ 218,270
Cash with fiscal agent		2,138,113	
Investments	12,385	92,681	
Accounts receivables	143,806	159	
Lease receivable		13,860,830	
Due from primary government	4,340,747	170,019	80,000
Due from other governments	5,910,755		
Inventories	236,385		
Prepaid items			
Temporarily restricted assets:			
Cash and cash equivalents		2,818,788	
Accounts receivable			
Investments		174,445	
Notes receivable		1,302,616	
Land held for sale		6,582,844	
Capital assets not being depreciated	5,058,366	21,191,341	
Capital assets, net of accumulated depreciation	12,671,264	2,188,612	-
Total assets	<u>\$ 32,768,703</u>	<u>\$ 51,450,557</u>	<u>\$ 298,270</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	\$ 1,782,448	\$ 1,513,222	\$ 43,917
Due to primary government	3,064,092	1,169	
Deferred revenue	180,136	5,210,613	
Notes and other long-term payables:			
Due within one year	2,044,687		
Due in more than one year	4,649,878		
Bonds payable:			
Due within one year		416,524	
Due in more than one year	-	8,853,895	-
Total liabilities	<u>11,721,241</u>	<u>15,995,423</u>	<u>43,917</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	17,729,630	23,379,953	
Restricted for:			
Other purposes		2,993,233	
Unrestricted	3,317,832	9,081,948	254,353
Total net assets	<u>21,047,462</u>	<u>35,455,134</u>	<u>254,353</u>
Total liabilities and net assets	<u>\$ 32,768,703</u>	<u>\$ 51,450,557</u>	<u>\$ 298,270</u>

<b>Business-Type Activities</b>				
Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Healthy Families Partnership, Inc.	Foundation of the Virginia Air and Space Center	Total
\$ 412,558	\$ 200,551	\$ 184,680	\$ 1,553	\$ 6,342,716
				2,138,113
217,753		1,758		105,066
				363,476
				13,860,830
				4,590,766
				5,910,755
				236,385
5,863	26,329			32,192
				2,818,788
			1,515,816	1,515,816
			665,883	840,328
				1,302,616
				6,582,844
				26,249,707
<u>22,550</u>	<u>375,091</u>	<u>-</u>	<u>-</u>	<u>15,257,517</u>
<u>\$ 658,724</u>	<u>\$ 601,971</u>	<u>\$ 186,438</u>	<u>\$ 2,183,252</u>	<u>\$ 88,147,915</u>
\$ 46,554	\$ 30,291	\$ 10,798	\$ -	3,427,230
				3,065,261
				5,390,749
	60,000		1,650,000	3,754,687
	60,000			4,709,878
				416,524
				8,853,895
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,618,224</u>
<u>46,554</u>	<u>150,291</u>	<u>10,798</u>	<u>1,650,000</u>	
22,550	255,091			41,387,224
			2,181,699	5,174,932
<u>589,620</u>	<u>196,589</u>	<u>175,640</u>	<u>(1,648,447)</u>	<u>11,967,535</u>
<u>612,170</u>	<u>451,680</u>	<u>175,640</u>	<u>533,252</u>	<u>58,529,691</u>
<u>\$ 658,724</u>	<u>\$ 601,971</u>	<u>\$ 186,438</u>	<u>\$ 2,183,252</u>	<u>\$ 88,147,915</u>

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

**CITY OF HAMPTON, VIRGINIA  
COMBINING STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
For the Year Ended June 30, 2007**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets							Total
	Expenses	Charges for Services	Operating Grants and Contributions	School Board	Industrial Development Authority	Federal Area Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Healthy Families Partnership, Inc.	Foundation of the Virginia Air and Space Center	
Governmental type activities											
Public school system	\$ 221,614,040	\$ 5,317,464	\$ 158,257,129	\$ (58,039,447)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (58,039,447)
Business type activities											
Industrial development	4,420,157	1,419,031			(3,001,126)						(3,001,126)
Federal area development	573,640					(573,640)					(573,640)
Business improvement	772,470	32,750					(739,720)				(739,720)
Downtown development	665,065	139,988	248,165					(276,912)			(276,912)
Healthy families	175,158	21,697	107,643						(45,818)		(45,818)
Museum support	1,682,447	-	1,377,805	-	-	-	-	-	-	(304,642)	(304,642)
<b>Total component units</b>	<b>\$ 229,902,977</b>	<b>\$ 6,930,930</b>	<b>\$ 159,990,742</b>	<b>\$ (58,039,447)</b>	<b>\$ (3,001,126)</b>	<b>\$ (573,640)</b>	<b>\$ (739,720)</b>	<b>\$ (276,912)</b>	<b>\$ (45,818)</b>	<b>\$ (304,642)</b>	<b>\$ (62,981,305)</b>
Special assessment taxes							467,568	156,111			623,679
Payments from (to) City of Hampton				62,210,746	2,340,876	470,000	444,542	168,996			65,635,160
Investment earnings					946,777		8,374		3,364		958,515
Miscellaneous				-	-	-	391	10,288	-	7,718	18,397
<b>Total general revenues, special items and transfers</b>				<b>62,210,746</b>	<b>3,287,653</b>	<b>470,000</b>	<b>920,875</b>	<b>335,395</b>	<b>3,364</b>	<b>7,718</b>	<b>67,235,751</b>
<b>Change in net assets</b>				<b>4,171,299</b>	<b>286,527</b>	<b>(103,640)</b>	<b>181,155</b>	<b>58,483</b>	<b>(42,454)</b>	<b>(296,924)</b>	<b>4,254,446</b>
<b>Net assets, beginning</b>				<b>16,876,163</b>	<b>35,168,607</b>	<b>357,993</b>	<b>431,015</b>	<b>393,197</b>	<b>218,094</b>	<b>830,176</b>	<b>54,275,245</b>
<b>Net assets, ending</b>				<b>\$ 21,047,462</b>	<b>\$ 35,455,134</b>	<b>\$ 254,353</b>	<b>\$ 612,170</b>	<b>\$ 451,680</b>	<b>\$ 175,640</b>	<b>\$ 533,252</b>	<b>\$ 58,529,691</b>

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

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

The following is a summary of the significant accounting policies.

Reporting Entity

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

The City follows GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB No. 34). As a result of adopting GASB No. 34, the Comprehensive Annual Financial Report includes Management’s Discussion and Analysis, Government-wide (Statement of Net Assets 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 of the significance of their operational and financial relationship with the City, as defined in GASB No. 14, *The Reporting Entity*, and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

Blended Component Units

Blended component units are entities that are legally separate from the City, but which provide services entirely, or almost entirely, to the City or otherwise exclusively benefit the City. As a result, these units must be combined with the data of the primary government. The City has one blended component unit, Hampton Redevelopment and Housing Authority (HRHA), which is reported as a major enterprise fund.

HRHA is established under the laws of the Commonwealth of Virginia to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development.



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

HRHA operates on a calendar year basis (January 1 to December 31) which differs from the City's fiscal year (July 1 to June 30). It is included as a part of the City's primary government (Exhibits A-6, A-7 and A-8) because HRHA's seven-member governing board is substantially the same as Hampton's City Council. HRHA is required to make annual payments in lieu of taxes to the City. The City is not fiscally responsible for HRHA's operating funds or debt.

A copy of the separately issued financial statements for HRHA may be obtained by writing to HRHA, 22 Lincoln Street, Hampton, Virginia 23669 or by calling (757) 727-6337.

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 Industrial Development Authority, Healthy Families Partnership, Inc., Coliseum Central Business Improvement District, Inc., Downtown Hampton Development Partnership, Inc., Foundation of the Virginia Air and Space Center and Federal Area Development Authority (FADA). 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) 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. City Council does not have the authority to modify individual line items of the School Board's budget. The School Board has complete discretionary authority to expend the amount appropriated by the City. Combining statements for the School Board are presented in Exhibits G-1 - G-3. The School Board does not issue separate financial statements.

Hampton Industrial Development Authority

The Hampton Industrial Development Authority (IDA) 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 IDA 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 IDA is included in the City's reporting entity because the City is able to impose its will on the IDA by appointment of the governing body. In addition, the City Council funds IDA's operating budget and receives all revenues derived from IDA land sales. Therefore, the IDA is financially dependent on the City. The IDA does not issue separate

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

financial statements.

Healthy Families Partnership, Inc.

The Healthy Families Partnership, Inc. (HFP) is a non-stock corporation that provides programs and services that benefit families and children of the City. Programs offered by the HFP support goals which include promoting optimal child development and preventive care during early childhood; enhancing parenting skills; improving family support systems; and reducing undesirable health outcomes such as poor immunization rates, child abuse and neglect and repeat teenage pregnancies. The HFP derives financial support from the City in the form of in-kind services. HFP is included in the City's reporting entity because the resources of HFP are for the direct benefit of the City's constituents and the City can impose its will in the ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations of the organization. A copy of the separately issued financial statements for HFP may be obtained by writing to HFP, 100 Old Hampton Lane, Hampton, Virginia 23669 or by calling (757) 727-1300.

Coliseum Central Business Improvement District, Inc.

The Coliseum Central Business Improvement District, Inc. (Coliseum BID) was incorporated on January 22, 1996, to promote, develop and market the Coliseum Central Business District in the City. Coliseum BID was created by action of the City Council under provisions of the *Code of Virginia*. An additional tax is assessed on commercial real estate located in the District to provide funds for the economic development of the District. The City Council approved the renewal of the Coliseum BID through June 2008. Coliseum BID is included in the City's reporting entity because the resources of Coliseum BID are for the direct benefit of the City's constituents. 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. The City Council approved the renewal of Downtown Hampton through June 2008. Downtown Hampton is included in the City's reporting entity because the resources of Downtown Hampton are for the direct benefit of the City's constituents. 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.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

Foundation of the Virginia Air and Space Center

The Foundation of the Virginia Air and Space Center (Foundation) was formed in 1992 after construction of the Virginia Air and Space Center. The Foundation exists to carry out the charitable, educational, literary and scientific purposes of the Center. The Foundation is included in the City's reporting entity because the resources of the Foundation are significant to the City. A copy of the separately issued financial statements for the Foundation may be obtained by writing to the Foundation of the Virginia Air and Space Center, 600 Settlers Landing Road, Hampton, Virginia 23669 or by calling (757) 727-0900.

Federal Area Development Authority

The Federal Area Development Authority (FADA) is a political subdivision of the Commonwealth of Virginia with ordinances adopted by the City Council. FADA was created to enable more efficient cooperation with the federal government during the closure of Fort Monroe that is pursuant to the Federal Defense Base Closure and Realignment Act of 1990, also known as the "BRAC Statute". The creation of the FADA will benefit the citizens of the City by promoting increased employment opportunities, strengthening the economic base and increasing tax revenues as a result of development or redevelopment of that area in the City. Members of the FADA Board are appointed by the City Council and the City funds the FADA's operating budget. The FADA does not issue separate financial statements.

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 able to impose its will on these organizations and the organizations neither provide a financial benefit nor pose a financial burden on the City.

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.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

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, 2007, the City provided operating and capital support of \$3,103,521 to HRT, \$159,054 to HRPDC, \$8,800 to VPPSA, \$204,332 to HREDA and \$74,435 to PCFWD.

Jointly Governed Organizations

Hampton-Newport News Community Services Board

The City of Hampton has one jointly governed organization, the Hampton-Newport News Community Services Board (CSB). The CSB operates as an agent for the Cities of Hampton and Newport News in the establishment and operation of community mental health, mental retardation and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the *Code of Virginia*, relating to the Virginia Department of Mental Health and Mental Retardation. The CSB designates its own management and adopts its own budget. The operations are financed principally by state and federal funds. The City provided operating support of \$1,376,016 to the CSB during fiscal year 2007.

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 Assets 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 Assets

The Statement of Net Assets (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 Assets and report depreciation expense in the Statement of Activities. The net assets of a government are displayed in three categories – invested in capital

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

assets net of related debt, restricted and unrestricted.

Statement of Activities

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

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

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

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, Pension Trust and Agency Funds and the Discretely Presented Component Units. Under this method of accounting, revenues are recognized when earned and

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

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 and producing and delivering goods in connection with the proprietary fund's principal operations.

All Governmental Funds and the Permanent Fund 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, Capital Projects, and Permanent 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 deferred 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.

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. Prior to April 15, the City Manager submits to the City Council a proposed operating budget 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 at City Hall to obtain taxpayer comments.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

3. Prior to June 1, the budget is legally enacted through the passage of an ordinance.
4. The City Manager or his designee is authorized to transfer budgeted amounts within departments within the General Fund. Revisions that alter the total appropriations for a department must be approved by City Council. Therefore, the level of control at which expenditures may not exceed appropriations is the total expenditure level of each department. Transfers within the School Operating Fund are under the control of the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and School Board Component Unit Operating Fund.
6. Budgets for the General and School Board Component Unit Operating Fund are legally adopted on a basis consistent with Generally Accepted Accounting Principles.

Budgeted amounts are as originally adopted or as amended by City Council and the School Board during fiscal 2007. 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 Special Revenue Funds and the Capital Projects Fund 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 5 and December 5. The City Treasurer mails tax bills to the taxpayers on May 5 for tax payments due June 5 and on November 5 for tax payments due December 5.

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

appropriation, is employed as an extension of formal budgetary integration in the General Fund and School Operating Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Investments

Investments of the Hampton Employees' Retirement System and the Debt Service Fund, which consists of U.S. Treasury Bonds, are stated at fair value. All other investments are generally stated at fair value, except for short-term cash equivalents, which are stated at cost.

Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$1,738,388. 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 Hampton Redevelopment and Housing Authority Fund's inventory consists of consumable supplies 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.

Land Held for Resale

Land held for resale by the Industrial Development Authority is stated at cost or, if donated, at fair market value as of the date received. Development costs of the IDA 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.

Real property held for resale in the HRHA Fund is stated at cost as of the acquisition or renovation completion date. Total land and redevelopment costs, where applicable, are allocated to total salable acreage under redevelopment, and are charged to the expense of sale on a prorated basis when the property 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).



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

Restricted Assets

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

	Convention Center	The Hamptons	The Museum	HRHA	Total Enterprise Funds	Component Unit - IDA	Component Unit - Foundation
Restricted Assets							
Cash:							
Operating and Maintenance Account	\$	\$ 8,667	\$ 94,932	\$	\$ 103,599	\$	\$
Operating Reserve Fund	2,286,398				2,286,398		
Bond Fund		255,164	818,645		1,073,809		
Debt Service Reserve Fund	655,374		1,445,131		2,100,505	1,057,218	
Bass Pro Incentive Fund						1,761,570	
Tenant escrows and deposits				1,483,265	1,483,265		
Accounts Receivable							1,515,816
Due from Primary Government							
Investments:							
Operating Reserve Fund	14,628,952				14,628,952		665,883
Bond Fund	3,702,493				3,702,493		
Debt Service Reserve Fund	7,581,783	323,256			7,905,039	174,445	
	<u>\$ 28,855,000</u>	<u>\$ 587,087</u>	<u>\$ 2,358,708</u>	<u>\$ 1,483,265</u>	<u>\$ 33,284,060</u>	<u>\$ 2,993,233</u>	<u>\$ 2,181,699</u>

The assets for Convention Center, The Hamptons, Museum and IDA are classified as restricted since their use is limited by the Bond Trust Indenture. The Foundation's assets are donations restricted for their capital campaign. HRHA's assets are restricted for tenant escrow and deposits.

Governmental Activities Capital Assets

Capital outlays in the General, Special Revenue and Capital Projects Funds are recorded as expenditures and capitalized (recorded and accounted for) in the government-wide financial statements to the extent that the City's capitalization threshold is met. The threshold is \$2,500 for assets other than computer equipment and infrastructure. Computer equipment having a cost of \$1,000 or more is capitalized. In accordance with GASB 34, public domain ("infrastructure") assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems and similar assets dedicated directly to public service, have been capitalized since fiscal year 2002 to the extent such improvements met the capitalization threshold, generally \$10,000. Infrastructure assets acquired in earlier fiscal years have been capitalized in accordance with transition provisions of GASB No. 34. Depreciation is recorded on general capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

Buildings and improvements	10 - 40 years
Improvements other than buildings	10 - 25 years
Equipment and vehicles	3 - 20 years
Infrastructure	15 - 75 years

All capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Historical cost of self-constructed infrastructure includes direct labor, direct materials and overhead costs allocated based on direct labor hours charged to the project. Gifts and contributions are recorded at fair market value upon receipt. When governmental fund assets are sold or retired, their costs are removed from the accounts and the proceeds, if any, are reflected as revenues.

Enterprise Funds' and Internal Service Funds' Capital Assets

Enterprise and Internal Service Fund's property and equipment are stated at cost. Cost of self-constructed infrastructure includes direct labor, direct materials and overhead costs allocated based on direct labor hours charged to the project. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	10 - 40 years
Improvements other than buildings	15 - 50 years
Equipment and vehicles	3 - 20 years
Exhibits	7 - 10 years
Infrastructure	5 - 75 years

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

When Enterprise and Internal Service Fund's capital assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts and the gains or losses are reflected in the Statement of Revenues, Expenses and Changes in Fund Net Assets.

The City capitalizes interest costs on funds borrowed to finance the construction of capital assets in its proprietary funds. During fiscal year ended June 30, 2007, no interest costs were capitalized.

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.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

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

Deferred Revenue

Deferred revenue consists of the following:

Primary Government:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Property taxes accrued but not collected within 45 days	\$ 4,882,397	\$	\$	\$
Advance property tax collections	786,911			
Accounts receivable		178,500		
Notes receivable		2,241,686		
Advance ticket sales		12,868	824,744	
Unearned grant funds		752,209		
Unearned rental income		1,000		
Unearned miscellaneous income	99,923		5,954,956	20,857
Total Primary Government	<u>\$ 5,769,231</u>	<u>\$ 3,186,263</u>	<u>\$ 6,779,700</u>	<u>\$ 20,857</u>

Discretely Presented Component Unit:

	<u>School Board</u>	<u>Industrial Development Authority</u>
Unearned grant funds	\$ 50,336	\$
Tuition	104,114	
Other	25,686	5,210,613
Total Discretely Presented Component Unit	<u>\$ 180,136</u>	<u>\$ 5,210,613</u>

Fund Equity

Reserves - Reserves for encumbrances represent amounts which have been contractually committed for future years. The reserve for Courthouse maintenance represents amounts legally imposed and assessed as part of the costs incidental to criminal and traffic cases which can only be used for the construction, renovation or maintenance of the Courthouse or Jail. The reserve for Hazmat represents amounts recovered by the City pursuant to the Code of Virginia as reimbursement for costs expended by the City for certain hazardous materials and emergency clean-up activities. All funds collected shall be used for hazardous materials emergencies and to recoup costs associated with a response to a hazardous materials emergency. The reserve for Advances to other funds represents amounts advanced from the General Fund to the Museum Fund and from Debt Service fund to the Steam Plant fund. The reserve for grant compliance

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

represents resources which must be expended for specific grants.

Designated Fund Balances - Fund balance designations are established to indicate tentative plans for financial resource utilization in future periods. Designation of fund balance under the General Fund represents amounts appropriated by City Council for the succeeding fiscal year. Designations in the Special Revenue Funds, Capital Projects Fund and Component Unit - School Board represent unexpended appropriations at June 30, 2007 authorized to be expended in fiscal year 2008 or when the applicable projects are completed.

Net Assets - Enterprise Funds and Internal Service Funds

The net assets at June 30, 2007 in the Enterprise Funds are as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>
Coliseum Fund	\$ 9,489,102	\$
The Woodlands Golf Course	1,882,212	
The Hamptons Museum	(3,031,616) 15,101,323	
Solid Waste	7,506,401	
Convention Center Fund	13,823,132	
HRHA	45,183,670	
Wastewater Management Refuse-Steam Plant	44,725,936 4,290,872	
Industrial Development Authority		35,455,134
Federal Area Development Authority		254,353
Coliseum Central Business Improvement District, Inc.		612,170
Downtown Hampton Development Partnership, Inc.		451,680
Healthy Families Partnership, Inc.		175,640
Foundation of the Virginia Air & Space Center		533,252

The deficit in The Hamptons 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 operating transfers from the General Fund or by increases in user charges.

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

Equipment Replacement	\$ 18,194,653
Fleet Management	704,602
Risk Management	5,922,243
Information Technology	1,106,037

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

Pension Expense

The City has pension plans covering substantially all City and School employees. Pension costs are accrued using actuarially determined rates, which include current costs plus amortization of prior service costs. The City's policy is to fund pension costs accrued for all plans.

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, 2007 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, EXCEL (Environmental Excellence for Community Enjoyment and Livability), Enhanced Emergency Telephone Service (E911), and Stormwater Management Funds have been used to liquidate the liability for compensated absences.

Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, proprietary fund types follow all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements issued after November 30, 1989.

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

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, fund equity, revenues and expenditures or expenses. The following is a description of the funds included in the accompanying financial statements.

General 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.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

A significant part of the General Fund's revenue is transferred to other funds, principally to fund the operations of the City of Hampton Public Schools and debt service requirements of the City.

Expenditures include, among other things, those for general government, public safety, highways and streets, sanitation, welfare, health and culture and recreation.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general obligation debt of the City. Primary resources of the Debt Service Fund are derived from transfers from the General Fund and the proceeds of any refunding bond issues.

Capital Projects Fund

The Capital Projects Fund accounts for all general City and School construction projects 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 account for the revenues and expenditures related to the operations of the Federal Grants, Community Development, Economic Development, EXCEL, Enhanced Emergency Telephone Service, Stormwater Management, Pembroke Complex and the Law Library Funds.

The Federal Grants Fund accounts for revenues and expenditures of all federal grants awarded to the City except the Community Development entitlement. Federal grants received by the Component Unit - School Board are included in the discretely presented component unit.

The Community Development Fund accounts for revenues and expenditures related to entitlements received by the City under the Community Development Act of 1974, administered by the U.S. Department of Housing and Urban Development.

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

The EXCEL Fund (Environmental Excellence for Community Enjoyment and Livability) accounts for capital investments, capital improvements, program grants and/or other City Council approved expenditures which improve social, recreational or cultural opportunities for the citizens of Hampton. The fund receives 100% of the revenues generated by the City's cable franchise fees. City Council makes appropriations to the Fund from the General Fund whenever

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

the franchise fee revenues are not sufficient to finance approved projects and activities.

The Enhanced Emergency Telephone Service (E911) Fund accounts for revenues and expenditures associated with establishing and maintaining an enhanced 911 emergency dispatch system. Revenues are derived from a special tax imposed and levied upon purchasers of telephone services in the City.

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.

Permanent Fund

Permanent funds are a type of fiduciary fund used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the City or its citizens.

The City has one permanent fund, Pearl I. Young. The Pearl I. Young Fund accounts for interest earned on principal funds and authorized disbursements of funds bequeathed to the City to purchase City bus stop shelters.

Enterprise Funds

Enterprise Funds 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 charges; 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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

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 \$1,664,778 in 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 (Exhibit E-1, E-2 and E-3) 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 Management, 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 Management 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, printing and mailing and telecommunications services.

Trust and Agency Funds

The Trust and Agency Funds consist of the Hampton Employees' Retirement System, Special Welfare and Other Agency Funds.

The Hampton Employees' Retirement System (Exhibit 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 (Exhibit F-1) 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 receipts and disbursements such as those related to the Peninsula Drug Task Force.

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 Assets. All residual balances outstanding between governmental activities and business-type



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**3. INTERFUND BALANCES:**

activities are reported in the government-wide financial statements as “internal balances.” All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between the funds are made.

Interfund Receivables and Payables

<b><u>Primary Government:</u></b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
General	\$ 7,952,140	\$ 9,599,085
Special Revenue:		
Economic Development	1,277,028	717,319
Non-Major Governmental Funds	1,638,582	3,722,782
Capital Projects	4,825,637	
Enterprise:		
Convention Center	516,263	
The Hamptons	1,398	2,636,167
Museum	130,611	749,000
Wastewater Management	1,771	147,774
Non-Major Enterprise Funds	56,309	1,278,741
Internal Services	2,476,926	25,797
Total Primary Government	<u>\$ 18,876,665</u>	<u>\$ 18,876,665</u>

Interfund Receivables and Payables

<b><u>Component Unit:</u></b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
School Board Operating	\$ 4,039,599	\$ 29,056
Student Activities	22,894	15,776
Food Services	29,056	1,394,021
Special Revenue:		
Shenandoah Life		500
Reimbursable Projects		2,652,196
Total Component Unit	<u>4,091,549</u>	<u>4,091,549</u>
Total Reporting Entity	<u>\$ 22,968,214</u>	<u>\$ 22,968,214</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**3. INTERFUND BALANCES, Continued:**

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

	<b>Due From Primary Government</b>	<b>Due To Component Unit</b>	<b>Due From Component Unit</b>	<b>Due To Primary Government</b>
Primary Government - General Fund	\$	\$ 4,350,938	\$ 2,022,141	\$
Primary Government - Non-Major Governmental Funds		80,000		
Primary Government - Economic Development		7,781		
Primary Government - Capital Projects Fund		152,047		
Primary Government - Non-Major Enterprise Funds			15,261	
Primary Government - Internal Service Funds			1,027,860	
Component Unit - School Board Operating Fund	4,340,747			3,064,092
Component Unit - IDA	170,019			1,170
Component Unit - FADA	80,000			-
Total	<u>\$ 4,590,766</u>	<u>\$ 4,590,766</u>	<u>\$ 3,065,262</u>	<u>\$ 3,065,262</u>

HRHA entered into an interfund loan with the primary government, under which HRHA is indebted to the primary government for a note in the amount of \$100,000 related to real property. On June 30, 2007, the outstanding balance was \$49,970 on the records of the primary government and \$53,078 was outstanding on the records of HRHA at December 31, 2006. The interfund loan was eliminated to the extent of \$49,970 on the Statement of Net Assets.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**3. INTERFUND BALANCES, Continued:**

Individual fund interfund transfers for the primary government were made for operating as well as capital purposes. Interfund transfers for the year ended June 30, 2007 are as follows:

<b><u>Primary Government:</u></b>	<b><u>Transfer From</u></b>	<b><u>Transfer To</u></b>
General	\$ 412,731	\$ 44,029,895
Special Revenue:		
Economic Development		1,484,607
Non-Major Governmental Funds	4,851,146	2,047,665
Capital Projects	12,466,671	291,641
Debt Service	21,921,071	
Enterprise:		
Convention Center	5,966,213	
Museum	1,776,976	
The Hamptons	630,000	
Wastewater Management		
Non-Major Enterprise Funds		55,000
Internal Services		116,000
Total Primary Government	<u>\$ 48,024,808</u>	<u>\$ 48,024,808</u>
<b><u>Component Unit:</u></b>	<b><u>Transfer From</u></b>	<b><u>Transfer To</u></b>
School Board Operating	\$ 260,000	\$ 265,000
Student Activities	271,658	
Food Services		260,000
Reimbursable Projects		6,658
Total Component Unit	<u>531,658</u>	<u>531,658</u>
Total Reporting Entity	<u>\$ 48,556,466</u>	<u>\$ 48,556,466</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**3. INTERFUND BALANCES, Continued:**

Related party transactions between the primary government and component units are as follows:

	<u>Payments From Primary Government</u>	<u>Payments to Component Unit</u>	<u>Payments From Component Unit</u>	<u>Payments to Primary Government</u>
Primary Government - General Fund	\$ -	\$ 64,239,993	\$ 2,011,281	
Primary Government - Economic Development		484,073		
Primary Government - Capital Projects Fund		911,094		
Component Unit - School Bd Operating Fund	62,210,746			2,000,000
Component Unit - IDA	2,340,876			11,281
Component Unit - FADA	470,000			
Component Unit - Coliseum BID	444,542			
Component Unit - Downtown Hampton	168,996			
Total	<u>\$ 65,635,160</u>	<u>\$ 65,635,160</u>	<u>\$ 2,011,281</u>	<u>\$ 2,011,281</u>

Advances from other funds in the amount of \$6,062,962 in the Refuse-Steam Plant represents an amount payable to the Debt Service Fund. The Refuse-Steam Plant was advanced \$6,062,962 from the April 2002 and April 2005 General Obligation Bond Issues to make certain required capital improvements to its facilities. The advance is to be repaid in semi-annual installments on January 15<sup>th</sup> and July 15<sup>th</sup>, which includes interest. These installments will be used to meet a pro-rata share of the annual debt service costs on the General Obligation Series 2002 and 2005 Bonds. This advance payable was excluded from governmental activities' long-term liabilities since it was eliminated against the related advances to other funds in the statement of net assets for governmental activities.

Advances to other funds in the amount of \$75,000 in the General Fund represents an amount due from the Museum fund. Payments of \$25,000 are due annually beginning in March 2008 with the final payment due in March 2010.

**4. DEPOSITS AND INVESTMENTS:**

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

Deposits

On June 30, 2007, the carrying value of the City's deposits was \$27,635,111 and the bank balance was \$30,518,555. All of the bank balances are covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amount insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

Investments

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

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

HERS Investments

Investments are stated at fair value except for short-term investments. These are reported at cost, which approximates fair value. The fair value of mutual funds traded on a national securities exchange is determined by using the last reported sales price on the last business day of the fiscal year; listed securities for which no sale was reported on that date are valued at the mean between the last reported bid and asked prices. The Bank of New York 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 and the Governmental Accounting Standards 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 Code of the City of Hampton authorizes the System to invest in obligations of the United States or its agencies or the City, corporate bonds, federal insured mortgages, common stock and certain other qualified investments. All investments shall be clearly marked to indicate ownership by the System. The HERS investments are held by the Bank of New York.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

Credit Risk

A portion of the City's investment portfolio is professionally managed by Evergreen Investments, which strictly follows the investment policy. The 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 by two rating agencies, one of which must be Moody's Investor Services (Moody's) or Standard & Poor's (S&P). Repurchase agreements must be collateralized by Treasury or Agency obligations of which the market value is at least 102% of the purchase price of the security. Certificates of deposit of domestic banks must have at least A-1 rating by S & P and P-1 by Moody's for maturities less than 1 year, and AA by S & P and Aa by Moody's for maturities over one year and not exceeding 3 years. Commercial paper must be rated "prime Quality" with at least a P-1 rating by Moody's, A-a rating by S & P, and Duff and Phelps within its rating of D-1. Corporate notes and bonds must have a rating of at least A by S & P, and A by Moody's. The city also invested funds during the year with the State Treasurer's Local Government Investment pool, a 2a7 like pool, and the Virginia State Non-Arbitrage Program (VaSNAP), both rated AAAM by Standard & Poor's.

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.

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.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

<b>Primary Government</b>	<b>Fair Value</b>	<b>Actual Credit Rating</b>	<b>Investment Maturities-Less than 1 year</b>
Repurchase Agreements	\$ 8,250,183	AAA	\$ 8,250,183
Commercial paper	35,438,117	A-1 + P-1	35,438,117
Bankers Acceptance	1,100,000	AAA	1,100,000
U.S. Government securities	48,233,085	AAA	48,233,085
U.S. Government securities-HRHA	7,158,868	AAA	7,158,868
Corporate bonds and debentures	2,160,533	AAA	2,160,533
State Local Government Investment Pool-City	37,000,000	AAAm	37,000,000
State Non-Arbitrage Fund-City	73,933,909	AAA	73,933,909
Mutual and Money Market Funds	24,215,276	Unrated	24,215,276
<b>Total Investments Controlled by City</b>	<b>\$ 237,489,971</b>		<b>\$ 237,489,971</b>
Pension Plan Investments, Mutual Funds	\$ 179,192,094		N/A
Subtotal	416,682,065		\$ 237,489,971
Reconciliation to Total Cash and Investments:			
Add:			
Cash on Hand and in Banks-City	11,515,426		
Cash on Hand and in Banks-HRHA	13,802,506		
Cash With Fiscal Agent	2,317,179		
<b>Total Deposits and Investments Primary Government and Fiduciary Funds Per Exhibits A-1 and A-9</b>	<b>\$ 444,317,176</b>		

**Component Unit - School Board**

	<b>Investment Maturities (in years)</b>	
	<b>Fair Value</b>	<b>Less than 1 year</b>
Repurchase Agreements	\$ 3,920,206	\$ 3,920,206
Mutual and Money Market Funds	12,385	12,385
<b>Total Investments School Board</b>	<b>\$ 3,932,591</b>	<b>\$ 3,932,591</b>

**Other Component Units**

	<b>Investment Maturities (in years)</b>	
	<b>Fair Value</b>	<b>Less than 1 year</b>
Repurchase Agreements	\$ 66,414	\$ 66,414
U.S. Government Securities	174,445	174,445
Stock	26,267	26,267
Mutual and Money Market Funds	665,883	665,883
<b>Total Investments Other Component Units</b>	<b>\$ 933,009</b>	<b>\$ 933,009</b>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

<b>Primary Government</b>	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Fiduciary Responsibilities</b>	<b>Total</b>
Cash Deposits-City	\$ 4,567,542	\$ 6,654,936	\$ 292,948	\$ 11,515,426
Cash Deposits-HRHA		13,802,506		13,802,506
Cash With Fiscal Agent-City	58,082	2,259,097		2,317,179
Mutual and Money Market Funds	21,850,940	2,364,336		24,215,276
Investments-City	173,599,343	32,036,484	179,672,094	385,307,921
Investments-HRHA		7,158,868		7,158,868
Total Primary Government	<u>\$ 200,075,907</u>	<u>\$ 64,276,227</u>	<u>\$ 179,965,042</u>	<u>\$ 444,317,176</u>
<b>Component Units School Board</b>				
Cash Deposits	\$ 474,789	\$ -	\$ -	\$ 474,789
Investments	3,932,591			3,932,591
Total Component Units School Board	<u>\$ 4,407,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,407,380</u>
<b>Other Component Units</b>				
Cash Deposits	\$ -	\$ 4,766,509	\$ -	\$ 4,766,509
Cash With Fiscal Agent		2,138,113		2,138,113
Investments		933,009		933,009
Total Other Component Units	<u>\$ -</u>	<u>\$ 7,837,631</u>	<u>\$ -</u>	<u>\$ 7,837,631</u>



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**5. ACCOUNTS RECEIVABLE:**

Accounts receivable at June 30, 2007 in the Governmental Funds are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Primary Government:					
General property taxes (net of allowance for uncollectible taxes of \$1,738,388)	\$ 6,628,363	\$	\$	\$	\$
Due from Commonwealth of Virginia	9,683,279	2,351,041			
Due from federal government		1,358,418			
Other	<u>2,607,923</u>	<u>637,551</u>	<u>269</u>	<u>1,291</u>	<u>35,902</u>
Total Primary Government	<u>\$ 18,919,565</u>	<u>\$ 4,347,010</u>	<u>\$ 269</u>	<u>\$ 1,291</u>	<u>\$ 35,902</u>
 <u>Discretely Presented Component Unit -</u>					
<u>School Board:</u>					
Due from federal government		\$ 3,242,047			
Due from other municipalities		2,668,708			
Other		<u>143,806</u>			
Total Component Unit		<u>\$ 6,054,561</u>			

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**6. CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2007 are as follows:

	<b>Beginning Balance (as restated)</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Governmental Activities:				
Capital assets not being depreciated:				
Land - City	\$ 456,770,934	\$ 7,871,468	\$ -	\$ 464,642,402
Construction in progress	5,862,405	352,046	(899,726)	5,314,725
Total capital assets not being depreciated	<u>462,633,339</u>	<u>8,223,514</u>	<u>(899,726)</u>	<u>469,957,127</u>
Capital assets being depreciated:				
Buildings	73,041,208	18,420	(6,019,736)	67,039,892
Improvements	52,606,435	280,327	-	52,886,762
Machinery & Equipment	60,859,387	7,198,599	(2,331,598)	65,726,388
Infrastructure	87,190,868	6,476,192	-	93,667,060
Total capital assets being depreciated	<u>273,697,898</u>	<u>13,973,538</u>	<u>(8,351,334)</u>	<u>279,320,102</u>
Less accumulated depreciation for:				
Buildings	(28,374,740)	(1,534,391)	514,184	(29,394,947)
Improvements	(22,319,300)	(2,460,391)	-	(24,779,691)
Machinery & Equipment	(37,738,064)	(4,590,436)	2,238,755	(40,089,746)
Infrastructure	(4,009,522)	(3,895,436)	-	(7,904,958)
Total accumulated depreciation	<u>(92,441,626)</u>	<u>(12,480,654)</u>	<u>2,752,939</u>	<u>(102,169,342)</u>
Total capital assets being depreciated, net	<u>181,256,272</u>	<u>1,492,884</u>	<u>(5,598,395)</u>	<u>177,150,760</u>
Governmental activities capital assets, net	<u>\$ 643,889,611</u>	<u>\$ 9,716,398</u>	<u>\$ (6,498,121)</u>	<u>\$ 647,107,887</u>

**Primary Government:**

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

General capital assets	\$ 634,376,115
Internal Service Funds	<u>12,731,772</u>
	<u>\$ 647,107,887</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**6. CAPITAL ASSETS, Continued:**

	<b>Beginning Balance (as restated)</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 25,435,976	\$ 307,680	\$ (410,899)	\$ 25,332,757
Construction in progress	10,363,538	2,341,948	(9,014,277)	3,691,209
Total capital assets not being depreciated	<u>35,799,514</u>	<u>2,649,628</u>	<u>(9,425,176)</u>	<u>29,023,966</u>
Capital assets being depreciated:				
Buildings	164,183,538	1,583,783	(170,537)	165,596,784
Improvements	19,335,568	7,700,361	-	27,035,929
Machinery & Equipment	24,859,806	497,499	(1,809,817)	23,547,488
Exhibits	10,842,725	2,931,189	-	13,773,914
Infrastructure	56,561,316	4,670,327	(1,458)	61,230,185
Total capital assets being depreciated	<u>275,782,953</u>	<u>17,383,159</u>	<u>(1,981,812)</u>	<u>291,184,300</u>
Less accumulated depreciation for:				
Buildings	(39,897,116)	(4,572,325)	11,593	(44,457,848)
Improvements	(15,586,076)	(667,089)	-	(16,253,165)
Machinery & Equipment	(20,441,286)	(2,022,944)	1,720,189	(20,744,041)
Exhibits	(7,560,416)	(700,967)	-	(8,261,383)
Infrastructure	(19,753,105)	(826,774)	1,147	(20,578,732)
Total accumulated depreciation	<u>(103,237,999)</u>	<u>(8,790,099)</u>	<u>1,732,929</u>	<u>(110,295,169)</u>
Total capital assets being depreciated, net	<u>172,544,954</u>	<u>8,593,060</u>	<u>(248,883)</u>	<u>180,889,131</u>
Business-type activities capital assets, net	<u>\$ 208,344,468</u>	<u>\$ 11,242,688</u>	<u>\$ (9,674,059)</u>	<u>\$ 209,913,097</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**6. CAPITAL ASSETS, Continued:**

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

	<b>General Capital Assets</b>	<b>Internal Service Funds</b>	<b>Total</b>
<b>Governmental activities:</b>			
General government	\$ 3,460,188	\$ 2,516,850	\$ 5,977,038
Health	25,760		25,760
Public welfare	65,828		65,828
Public safety	821,330		821,330
Streets and highways	4,115,413		4,115,413
Culture and recreation	161,268		161,268
Education	1,314,017		1,314,017
Total depreciation expense - governmental activities	\$ 9,963,804	\$ 2,516,850	\$ 12,480,654
<b>Business - type activities:</b>			
Culture and recreation	\$ 5,307,971		
Sanitation	2,434,922		
Housing	1,047,206		
Total depreciation expense - business-type activities	\$ 8,790,099 *		

\* Depreciation expense in the amount of \$44,264 was capitalized as part of self-constructed assets in the Wastewater Management Fund.

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Capital Outlay	\$ 27,459,809
Depreciation expense	(9,963,804)
Capital outlay not capitalized	(16,306,984)
Total adjustment	\$ 1,189,021

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**6. CAPITAL ASSETS, Continued:**

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

	Business-Type	
	Governmental	Activities
Buildings	\$ -	\$ 2,064,368
Machinery and equipment	2,068,890	154,996
Less accumulated depreciation	(724,737)	(1,473,964)
Capital assets, net	\$ 1,344,153	\$ 745,400

The total amount of equipment acquired through a capital lease during fiscal year ended June 30, 2007, was \$1,269,093. Depreciation expense on the leased assets was \$204,623 for the fiscal year ended June 30, 2007.

**Discretely Presented Component Units**

**School Board:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 5,058,366	\$ -	\$ -	\$ 5,058,366
Total capital assets not being depreciated	5,058,366	-	-	5,058,366
Capital assets being depreciated:				
Buildings	49,507,691			49,507,691
Improvements	310,100			310,100
Machinery & Equipment	30,764,845	2,501,859	(2,013,389)	31,253,315
Total capital assets being depreciated	80,582,636	2,501,859	(2,013,389)	81,071,106
Less accumulated depreciation for:				
Buildings	(45,194,496)	(708,836)		(45,903,332)
Improvements	(73,649)	(15,505)		(89,154)
Machinery & Equipment	(22,289,903)	(2,304,261)	2,186,808	(22,407,356)
Total accumulated depreciation	(67,558,048)	(3,028,602)	2,186,808	(68,399,842)
Total capital assets being depreciated, net	13,024,588	(526,743)	173,419	12,671,264
School Board capital assets, net	\$ 18,082,954	\$ (526,743)	\$ 173,419	\$ 17,729,630

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**6. CAPITAL ASSETS, Continued:**

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Capital outlay	\$ 2,501,859
Depreciation expense	<u>(3,028,602)</u>
Total adjustment	<u>\$ (526,743)</u>

**Industrial Development Authority:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 15,802,769	\$ -	\$ -	\$ 15,802,769
Construction in progress	4,500,756	887,816		5,388,572
Total capital assets not being depreciated	<u>20,303,525</u>	<u>887,816</u>	<u>-</u>	<u>21,191,341</u>
Capital assets being depreciated:				
Improvements	383,042			383,042
Infrastructure	2,545,299			2,545,299
Machinery & Equipment	50,080	-	-	50,080
Total capital assets being depreciated	<u>2,978,421</u>	<u>-</u>	<u>-</u>	<u>2,978,421</u>
Less accumulated depreciation for:				
Improvements	(383,042)	-	-	(383,042)
Infrastructure	(259,632)	(109,079)	-	(368,711)
Machinery & Equipment	(37,181)	(875)	-	(38,056)
Total accumulated depreciation	<u>(679,855)</u>	<u>(109,954)</u>	<u>-</u>	<u>(789,809)</u>
Total capital assets being depreciated, net	<u>2,298,566</u>	<u>(109,954)</u>	<u>-</u>	<u>2,188,612</u>
Industrial Development Authority capital assets, net	<u>\$ 22,602,091</u>	<u>\$ 777,862</u>	<u>\$ -</u>	<u>\$ 23,379,953</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**6. CAPITAL ASSETS, Continued:**

**Healthy Families Partnership, Inc.:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Machinery & Equipment	\$ 11,663	\$ -	\$ -	\$ 11,663
Less accumulated depreciation for:				
Machinery & Equipment	(7,776)	(3,887)	-	(11,663)
Healthy Families Partnership capital assets, net	<u>\$ 3,887</u>	<u>\$ (3,887)</u>	<u>\$ -</u>	<u>\$ -</u>

**Downtown Hampton Development Partnership, Inc.:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Improvements	\$ 426,942	\$ -	\$ -	\$ 426,942
Machinery & Equipment	81,371	-	(11,148)	70,223
Total capital assets being depreciated	508,313	-	(11,148)	497,165
Less accumulated depreciation	(114,083)	(23,097)	15,106	(122,074)
Downtown Hampton Development Partnership capital assets, net	<u>\$ 394,230</u>	<u>\$ (23,097)</u>	<u>\$ 3,958</u>	<u>\$ 375,091</u>

**Coliseum Central Business Improvement District, Inc.:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Machinery & Equipment	\$ 82,607	\$ 2,042	\$ (12,508)	\$ 72,141
Less accumulated depreciation for:				
Machinery & Equipment	(69,929)	(6,687)	27,025	(49,591)
Coliseum Central Business Improvement District capital assets, net	<u>\$ 12,678</u>	<u>\$ (4,645)</u>	<u>\$ 14,517</u>	<u>\$ 22,550</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**6. CAPITAL ASSETS, Continued:**

Construction in Progress

Several capital projects were in various stages of completion on June 30, 2007. 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 and IDA Funds. At June 30, 2007, construction in progress by project was comprised as follows:

	Project Authorization	Expended to June 30, 2007
<u>General Capital Assets</u>		
Infrastructure	1,222,119	623,920
School Roof and Window Replacements	8,444,787	4,690,805
	\$ 9,666,906	\$ 5,314,725
 <u>Enterprise Funds</u>		
Museum Exhibits	\$ 1,047,035	\$ 102
Wastewater Management Sewer Projects	922,950	517,231
HRHA - New homes & Renovations	3,066,349	3,066,349
Coliseum - Rennovations & Upgrades	1,161,454	107,527
	\$ 6,197,788	\$ 3,691,209
 <u>Discretely Presented Component Unit - IDA</u>		
Hampton Roads Center North Infrastructure	\$ 5,600,000	\$ 5,388,572

**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. Resources are provided for and appropriated individually throughout the year as they become available to the City. The General Fund budget basis and GAAP are substantially the same.



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**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, 2007:

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
Serial bonds	\$190,790,000	\$ -	\$ (23,185,000)	\$167,605,000	\$ 11,360,000
Unamortized premium	3,375,198		(235,284)	3,139,914	235,284
Less deferred amount of advance refunding	(3,349,768)		352,608	(2,997,160)	(176,304)
Bonds payable (VRS)	7,255,000		(765,000)	6,490,000	805,000
Capital leases	607,499		(499,667)	107,832	107,832
Capital leases - Internal Service Funds	687,584	1,269,093	(334,735)	1,621,942	312,685
Long-term notes payable	1,191,524		(305,401)	886,123	177,225
General Obligation Bond Anticipation Notes		29,540,000		29,540,000	29,540,000
Literary loans payable	1,140,377		(188,050)	952,327	188,050
Compensated absences	6,014,877	3,966,691	(3,696,667)	6,284,901	3,696,667
Compensated absences-Internal Service Funds	142,154	129,689	(105,995)	165,848	105,995
Claims and judgments-Internal Service Funds	3,231,971	3,422,012	(2,011,337)	4,642,646	3,915,297
Net pension obligation	3		(1)	2	-
	<u>3</u>		<u>(1)</u>	<u>2</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$211,086,419</u>	<u>\$38,327,485</u>	<u>\$ (30,974,529)</u>	<u>\$218,439,375</u>	<u>\$ 50,267,731</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, 2007:

Long-term liabilities (detail above)	\$ 218,439,375
Less debt - Internal Service Fund	<u>(6,430,436)</u>
Combined adjustment	<u>\$ 212,008,939</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 if June 30, 2006 was the settlement date, and reflected the liability, if any, in the governmental activities column of the Statement of Net Assets.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$118,715,000	\$ -	\$ (1,415,000)	\$117,300,000	\$ 1,450,000
Unamortized premium	2,854,720	-	(208,901)	2,645,819	208,901
Less deferred amount for advance refunding	(1,379,983)	-	187,980	(1,192,003)	
Total bonds payable	120,189,737	-	(1,435,921)	118,753,816	1,658,901
Capital leases	1,378,573		(129,014)	1,249,559	125,936
Long-term notes payable:					
HRHA	971,494	-	(101,151)	870,343	97,659
Compensated absences	1,190,370	395,617	(449,469)	1,136,518	449,469
Business-type activities long-term liabilities	<u>\$123,730,174</u>	<u>\$ 395,617</u>	<u>\$ (2,115,555)</u>	<u>\$122,010,236</u>	<u>\$ 2,331,965</u>
Component Units:					
School Board:					
Compensated absences	<u>\$ 8,832,890</u>	<u>\$2,732,073</u>	<u>\$ (4,870,398)</u>	<u>\$ 6,694,565</u>	<u>\$ 2,044,687</u>
Total School Board	<u>\$ 8,832,890</u>	<u>\$2,732,073</u>	<u>\$ (4,870,398)</u>	<u>\$ 6,694,565</u>	<u>\$ 2,044,687</u>
Industrial Development Authority:					
Revenue bonds payable	<u>\$ 10,966,467</u>	<u>\$ -</u>	<u>\$ (1,696,048)</u>	<u>\$ 9,270,419</u>	<u>\$ 416,524</u>
Downtown Hampton Development Partnership, Inc.:					
Notes payable	<u>\$ 180,000</u>	<u>\$ -</u>	<u>\$ (60,000)</u>	<u>\$ 120,000</u>	<u>\$ 60,000</u>
The Foundation of the Virginia Air and Space Center Notes payable					
	<u>\$ 1,851,482</u>	<u>\$ -</u>	<u>\$ (201,482)</u>	<u>\$ 1,650,000</u>	<u>\$ 1,650,000</u>

Enterprise Funds

On August 31, 1999, the City issued \$3,195,000 in The Hamptons Golf Course Refunding Revenue Bonds, Series 1999 with an interest rate of 6%. At June 30, 2007, \$1,600,000 in The Hamptons Golf Course Refunding Revenue Bonds remains outstanding.

The unamortized amount deferred on the refunding of \$28,974 is reported in the accompanying financial statements as a reduction of bonds payable and is being charged to operations through the year 2013, using the interest method.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

On February 19, 2004, the City issued \$12,875,000 in Museum Revenue Refunding Bonds (Bonds) with interest ranging from 2% to 5%.

Details at June 30, 2007 are as follows:

	<b><u>Series 2004</u></b>
Outstanding debt	\$ 9,395,000
Interest rate	2% to 5%
Years of maturity	2007 - 2014

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 and 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.

Revenue bond debt service requirements to maturity are as follows:

Fiscal year ending June 30	Principal	Interest
2008	\$ 1,450,000	\$ 5,828,968
2009	1,490,000	5,785,531
2010	1,550,000	5,720,631
2011	3,755,000	5,662,807
2012	3,920,000	5,495,182
2013-2017	16,090,000	24,968,644
2018-2022	18,200,000	20,916,093
2023-2027	22,275,000	15,680,525
2028-2032	28,105,000	9,476,350
2033-2035	20,465,000	2,080,000
	\$ 117,300,000	\$ 101,614,731

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

The City has entered into several lease purchase agreements with its Enterprise Funds. The following is a summary of those agreements:

<u>Description</u>	<u>The Hamptons</u>	<u>The Woodlands</u>	<u>Total</u>
Capital lease for Toro riding mowers at Woodlands Golf Course dated February 2003 payable in 7 equal monthly payments of \$2,841	\$	\$ 19,885	\$ 19,885
Capital lease for Hamptons Golf Course Clubhouse Facility dated July 1990 with interest at 9.875%, payable in 96 equal monthly payments of \$18,581 remaining	1,783,776		1,783,776
Totals (including interest)	1,783,776	19,885	1,803,661
Less: Interest	(553,907)	(195)	(554,102)
Totals (excluding interest)	<u>\$ 1,229,869</u>	<u>\$ 19,690</u>	<u>\$ 1,249,559</u>

Debt service on capital leases payable during future fiscal years ending June 30 is as follows:

<u>Year</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 125,936	\$ 116,923
2009	117,226	105,746
2010	129,340	93,632
2011	142,707	80,265
2012	157,455	65,517
2013 - 2015	576,895	92,019
	<u>\$ 1,249,559</u>	<u>\$ 554,102</u>

**Blended Component Unit – HRHA:**

As explained in Note 1, under the section regarding the reporting entity, the Hampton Redevelopment and Housing Authority (HRHA) is included in the financial statements as a blended component unit. The following is a description of HRHA debt that has been blended into the primary government (City):

**Virginia Housing and Development Authority Mortgage Notes:**

As of December 31, 2006, HRHA was indebted to the Virginia Housing Development Authority for a mortgage note of \$175,431. The note is payable in monthly installments of \$1,918. The monthly installments due within the next twelve months are \$23,016. The interest rate on the note is 7.8637% and the payments are for 476 months beginning on January 1, 1979. Maturities for future years are as follows:

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 9,565	\$ 13,456
2008	10,345	12,676
2009	11,188	11,832
2010	12,100	10,920
2011	13,087	9,933
2012 - 2016	83,292	31,811
2017 - 2018	35,854	2,514
	<u>\$ 175,431</u>	<u>\$ 93,142</u>

As of December 31, 2006, HRHA was indebted to the Virginia Housing Development Authority for a mortgage note of \$58,566. The note is payable in monthly installments of \$2,220. The interest rate on the note is at 2% and is for 180 months beginning May 1, 1994. Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 23,543	\$ 878
2008	26,180	461
2009	8,843	37
	<u>\$ 58,566</u>	<u>\$ 1,376</u>

As of December 31, 2006, HRHA was indebted to City of Hampton for property under a 15 year lease in the amount of \$53,078. The interest rate is 6.5% and the lease is payable in 180 monthly installments of \$903 beginning May 15, 1997. Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 6,951	\$ 2,976
2008	8,070	2,761
2009	8,610	2,220
2010	9,187	1,644
2011	9,802	1,028
2012	10,457	372
	<u>\$ 53,077</u>	<u>\$ 11,001</u>

Other Notes:

As of December 31, 2006, HRHA was indebted to SunTrust Bank for mortgage financing secured on commercial space in the amount of \$583,268. The interest rate is 4.42% and the note is payable in 120 monthly installments of \$6,869. Maturities for future years are as follows:

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 57,600	\$ 24,619
2008	60,419	22,011
2009	63,145	19,286
2010	65,993	16,437
2011	68,969	13,714
2012 - 2015	267,142	21,424
	<u>\$ 583,268</u>	<u>\$ 117,491</u>

Discretely Presented Component Unit - IDA:

On April 11, 1997, the Industrial Development Authority issued \$1,745,000 of Industrial Development Revenue Bonds. The proceeds from the bond issue were used to acquire and improve land and a building for lease to Whitney Rand Manufacturing Corporation. The bonds were payable from revenues generated from the lease of the land and building with the lease term being equivalent to the life of the bond issue. The bonds were retired on May 17, 2007.

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

Details at June 30, 2007 are as follows:

	<b>2002 Revenue Bonds</b>
	<u>Tax-Exempt</u>
Outstanding Debt	\$ 9,270,419
Interest	6.17%
Years of Maturity	2008 – 2022

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

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

<u>Year</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 416,524	\$ 573,535
2009	442,620	547,439
2010	470,351	519,708
2011	499,819	490,240
2012	531,134	458,925
2013 - 2017	3,198,521	1,751,775
2018 - 2022	3,711,450	616,144
	<u>\$ 9,270,419</u>	<u>\$ 4,957,766</u>

Discretely Presented Component Unit-Downtown Hampton:

As of June 30, 2007, the Downtown Hampton Development Partnership, Inc. is indebted to Old Point National Bank for an unsecured note payable in the amount of \$120,000. Funds are disbursed annually in principal installments of \$60,000, plus interest payable monthly at 4%. The final payment is due in May 2009.

Discretely Presented Component Unit-Foundation:

As of June 30, 2007, the Foundation has \$1,650,000 outstanding on a line of credit with SunTrust Bank. The line of credit is collateralized by existing and future receivables, inventories, equipment and other assets of the Foundation. Interest is paid monthly at LIBOR plus 2%. This line of credit is due to expire on February 28, 2008.

Internal Service Funds:

The City is self-insured for workmen's compensation benefits and general liability insurance claims. At June 30, 2007, the liability for existing claims amounted to \$4,642,646. Workmen's compensation benefit claims are payable weekly or monthly through 2017.

The long-term debt in the Equipment Replacement Fund represents obligations under capital leases. During fiscal year 2005, the City entered into a master lease purchase agreement with Bank of America Leasing and Capital, LLC to purchase \$1,300,000 in rolling-stock equipment. On May 31, 2006, this master lease purchase obligation was reduced by \$504,332. The lease is to be repaid in equal quarterly installments of \$22,978 at an interest rate of 3.751%.

On November 6, 2006, the City entered into a lease purchase agreement in the amount of \$1,269,094 with Avaya Financial Services to finance the purchase of a new telecommunications system. The lease is reflected in the Information Technology Fund and is to be repaid in five equal yearly installments of \$276,156 beginning November 2006 with the final payment due July

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

2010.

<u>Year</u>	<u>Accrued Insurance</u>	<u>Capital Lease</u>		
	<u>Claims</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 3,915,297	2008	\$ 312,685	55,383
2009	144,882	2009	308,369	59,699
2010	133,531	2010	323,424	44,644
2011	122,799	2011	339,221	28,848
2012	108,614	2012	79,638	12,274
2013 - 2017	217,523	2013 - 2015	258,605	17,017
	<u>\$ 4,642,646</u>		<u>\$ 1,621,942</u>	<u>\$ 217,865</u>

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2007 are as follows:

General Obligation Bonds Outstanding	\$167,605,000
Coupon interest rate	2.0% to 7.00%
Years of maturity	2008 – 2026

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

<u>Year</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 11,360,000	\$ 7,786,027
2009	12,070,000	7,266,601
2010	12,405,000	6,723,537
2011	10,310,000	6,199,166
2012	10,780,000	5,728,948
2013 - 2017	52,410,000	20,975,344
2018 - 2022	40,250,000	9,597,981
2023 - 2026	18,020,000	2,130,969
	<u>\$ 167,605,000</u>	<u>\$ 66,408,573</u>

On April 25, 2007, the City issued \$29,540,000 in General Obligation Public Improvement Bond Anticipation Notes, Series 2007 (BANS) due and payable on December 15, 2007. Interest is payable at an annual rate of 4.35% due at maturity. The proceeds of the BANS will be used to finance various capital improvements in the City. The City converted the BANS to long-term general obligation bonds on November 1, 2007.



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

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%.

On January 30, 2003, the City issued \$18,340,000 in General Obligation Public Improvement Refunding Bonds, Series 2003 with interest ranging from 2.00% to 4.25%.

On October 15, 2002, the City issued \$7,370,000 in General Obligation Public Improvement Bonds, Series 2002A with interest ranging from 2.75% to 5.00%.

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%.

On January 15, 2000, the City issued \$45,960,000 in General Obligation Public Improvement Bonds, Series 2000 with interest ranging from 4.75% to 6.00%.

The City was required to make sinking fund deposits through August 1986 to provide for the retirement of \$10,700,000 of 1978 General Obligation Refunding Bonds (Bonds) maturing in 2007. The Bonds were retired on March 1, 2007.

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, 2007, \$79,420,000 of bonds outstanding are considered defeased.

**Taxable General Obligation Bonds:**

On February 28, 2005, the City issued \$7,985,000 in Taxable General Obligation Refunding Bonds, Series 2005 (Bonds) with an interest rate of 4.75%.

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

Year	Taxable General Obligation Bonds	
	Principal	Interest
2008	\$ 805,000	\$ 308,275
2009	840,000	270,038
2010	880,000	230,138
2011	925,000	188,338
2012	965,000	144,400
2013 - 2014	2,075,000	148,912
	\$ 6,490,000	\$ 1,290,101

General Obligation Bonds are backed by the full faith and credit of the City.

The City's indebtedness includes \$952,327 in loans from the State Literary Loan Fund. One loan was used to fund the City's share of the New Horizons Technical Center, a regional high school vocational and technical center. The other loans were used for major repairs or renovations to four elementary schools and Hampton High School. Repayment is in annual installments over a 20-year term at 3% interest.

Debt service on literary loans during future fiscal years ending June 30 is as follows:

Year	Literary Loans	
	Principal	Interest
2008	\$ 188,050	\$ 28,570
2009	148,050	22,928
2010	148,050	18,487
2011	148,050	14,045
2012	146,412	9,604
2013 - 2014	173,715	7,663
	\$ 952,327	\$ 101,297

The City is indebted for \$107,832 under capital leases and installment purchase contracts for the acquisition of equipment. The remaining debt service requirement on the aforementioned contracts payable during future years ending June 30 is as follows:

Year	Capital Leases	
	Principal	Interest
2008	\$ 107,832	\$ 1,732

The City has a line-of-credit with a bank for \$8,000,000 for the acquisition of real property which is strategic to the City's future planning and/or economic development. On February 13, 1997, the City borrowed \$761,760 and \$520,000 under the line-of-credit for the acquisition of real property. The notes were repaid in full on February 13, 2007. On November 26, 2001, the City borrowed \$1,772,248 under the line-of-credit for the acquisition of real property. This note

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

is payable in annual installments of \$177,225 through November 26, 2010 and one annual installment of \$177,223 due November 26, 2011, plus interest accrued weekly at 95% of the London Interbank Offered Rate (LIBOR) rate. At June 30, 2007, the outstanding balance was \$886,123. The notes are secured by the full faith and credit of the City. This line of credit expired October 1, 2004.

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, 2007, the City's aggregate general obligation indebtedness was \$205,473,450 which is less than the State limit.

Overlapping Debt:

There are no overlapping or underlying tax jurisdictions.

**9. DEFINED BENEFIT PENSION PLANS:**

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

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 the Virginia Retirement System (VRS). The authority to establish and amend benefit provisions of HERS is governed by statute as set out in Chapter 28 of the Code of the City of Hampton, Virginia. HERS is considered part of the City of Hampton's financial 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.

Funding Policy - HERS:

The contribution requirements of plan members, the City of Hampton and the Component Unit – School Board are established and may be amended by City Council. Plan members do not contribute. The City and Component Unit – School Board are required to contribute an actuarially determined rate; the current rate is 11.75% and 1.84% respectively of annual covered payroll.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

Annual Pension Cost and Net Pension Obligation – HERS:

For fiscal year 2007, the City of Hampton’s annual pension cost and net pension obligation were as follows:

	<b>Component Unit-</b>	
	<b>City of Hampton</b>	<b>School Board</b>
Annual required contribution	\$ 1,594,833	\$ 290,672
Interest on net pension obligation	-	-
Adjustment to annual required contribution	-	-
Annual pension cost	1,594,833	290,672
Contributions made	(1,594,833)	(290,672)
Increase (decrease) in net pension obligation	-	-
Net pension obligation, July 1, 2006	-	-
Net pension obligation, June 30, 2007	\$ -	\$ -

The annual required contribution was determined as a part of the July 1, 2006 actuarial valuation using the entry age normal cost method with normal cost calculated on an aggregate basis. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases of 5% per year. The actuarial assumptions include a future inflation rate of 4.5% a year. The plan was amended in 2000 to provide for a one-time cost of living adjustment of 3.0% to members who retired prior to July 2, 1998. Effective July 1, 2001, the Board authorized a 3.5% cost of living adjustment to members who retired prior to July 1, 1999. The actuarial value of assets was determined using market value, but with the difference between expected and actual return recognized over a five-year period. The unfunded actuarial liability is amortized on a level dollar basis. The remaining amortization period at June 30, 2007 was 16 years. The amortization period is closed.

Summary of Significant Accounting Policies - HERS

Basis of Accounting:

The financial statements of HERS are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which the contributions are due. Benefits and refunds are recognized when due and are payable in accordance with the terms of the plan.

Method Used to Value Investments:

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. The fair value of U.S. government and corporate bonds and stocks traded on national securities exchange is determined by using the last reported sales price on the last business day of the fiscal year. Investments that do not have an established market are

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**9. DEFINED BENEFIT PENSION PLAN PLANS, Continued:**

reported at estimated fair value.

Trend Information – HERS:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/01	\$ -	-	% \$ -
6/30/02	-	-	-
6/30/03	-	-	-
6/30/04	-	-	-
6/30/05	750,567	100	-
6/30/06	667,251	100	-
6/30/07	1,885,505	100	-

Funding Progress – HERS (unaudited):

The amount shown below as actuarial accrued liability is computed using the Entry Age Normal Cost method of funding. The nine most recent years of funding progress are as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age Normal Cost Method (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a percentage of Covered Payroll ((b-a)/c)
6/30/99	\$191,666,466	\$ 150,125,671	\$ (41,540,795)	127.7 %	\$ 52,595,318	(79.0) %
6/30/00	202,094,503	153,529,592	(48,564,911)	131.6	45,804,859	(106.0)
6/30/01	206,871,679	158,401,549	(48,470,130)	130.6	40,393,841	(120.0)
6/30/02	195,451,957	171,660,111	(23,791,846)	113.9	43,350,578	(54.9)
6/30/03	190,428,272	176,541,411	(13,886,861)	107.9	38,281,134	(36.3)
6/30/04	177,780,361	179,043,484	1,263,123	99.3	36,703,903	3.4
6/30/05	167,354,946	177,417,632	10,062,686	94.3	31,415,019	32.0
6/30/06	162,199,374	178,547,557	16,348,183	90.8	32,316,632	50.5
6/30/07	166,205,076	179,789,828	13,584,752	92.4	24,671,868	55.1

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**9. DEFINED BENEFIT PENSION PLAN PLANS, Continued:**

Plan Description - VRS:

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of credited service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employers (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7% of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases, limited to 5%, beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary.

Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy - VRS:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The 5% member contribution has been assumed by the City of Hampton, the Component Unit - School Board, and HRHA. In addition, the City of Hampton and the Component Unit - School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City of Hampton's, Component Unit - School Board's nonprofessional employees, and HRHA's contribution rates for the fiscal year ended 2007 were 18.32%, 16.29%, and 9.16%, respectively. The Component Unit - School Board's contributions to VRS for professional employees for the fiscal years ending June 30, 2007, 2006, and 2005 of \$16,093,905 (14.2%), \$12,433,219 (11.62%) and \$11,223,893 (11.03%), respectively, were equal to the required contributions for each year.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**9. DEFINED BENEFIT PENSION PLAN PLANS, Continued:**

Annual Pension Cost and Net Pension Obligation:

For 2007, the City of Hampton's, Component Unit - School Board's nonprofessional employees, and HRHA's annual pension cost and net pension obligation were as follows:

	<b>Component Unit-</b>		
	<b>City of Hampton</b>	<b>School Board</b>	<b>HRHA</b>
Annual required contribution	\$ 14,896,488	\$ 1,074,593	\$ 191,155
Interest on net pension obligation	-	-	-
Adjustment to annual required contribution	(1)	-	-
Annual pension cost	14,896,487	1,074,593	191,155
Contributions made	(14,896,488)	(1,074,593)	(191,155)
Decrease in net pension obligation	(1)	-	-
Net pension obligation, July 1, 2006	3	-	-
Net pension obligation, June 30, 2007	\$ 2	\$ -	\$ -

The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions include (a) 7.5% investment rate of return, (b) projected salary increase of 3.5% to 5.73% per year, (c) cost of living adjustments for the Component Unit-School Board and HRHA of 2.5% per year and 2.5% for the City of Hampton. Both (a) and (b) included an inflation component of 2.5% for the Component Unit-School Board and 2.5% for the City of Hampton. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

Trend Information - VRS:

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>City of Hampton</u>	June 30, 2005	\$ 12,876,657	100.0 %	\$ 4
	June 30, 2006	13,696,710	100.0	3
	June 30, 2007	14,896,488	100.0	2
<u>Component Unit- School Board</u>	June 30, 2005	857,758	100.0	-
	June 30, 2006	857,862	100.0	-
	June 30, 2007	1,074,593	100.0	-
<u>HRHA</u>	June 30, 2005	250,912	100.0	-
	June 30, 2006	186,391	100.0	-
	June 30, 2007	191,155	100.0	-

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**9. DEFINED BENEFIT PENSION PLAN PLANS, Continued:**

Funding Progress – VRS (unaudited):

City of Hampton:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
6/30/01	\$ 232,379,871	\$ 243,900,202	\$ 11,520,331	95.3 %	\$ 59,189,302	19.46 %
6/30/02	239,128,739	264,577,425	25,448,686	90.4	62,329,076	40.83
6/30/03	240,538,972	288,026,339	47,487,367	83.5	65,896,624	72.06
6/30/04	243,297,349	306,998,629	63,701,280	79.3	69,541,014	91.60
6/30/05	250,399,226	329,738,788	79,339,562	75.9	73,842,561	107.44
6/30/06	266,208,467	342,880,605	76,672,138	77.6	77,859,246	98.48

Component Unit – School Board (unaudited):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
6/30/01	\$ 16,570,060	\$ 15,592,281	\$ (977,779)	106.3 %	\$ 4,704,473	(20.78) %
6/30/02	16,716,954	16,576,442	(140,512)	100.9	4,868,287	(2.89)
6/30/03	16,401,461	18,708,338	2,306,877	87.7	5,861,114	39.36
6/30/04	16,277,178	19,739,676	3,462,498	82.5	5,973,456	57.95
6/30/05	16,511,647	22,177,176	5,665,529	74.5	6,257,526	90.54
6/30/06	17,352,827	22,097,728	4,744,901	78.5	6,392,248	74.23

HRHA (unaudited):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
6/30/01	\$ 8,985,596	\$ 6,460,457	\$ (2,525,139)	139.1 %	\$ 1,829,424	(138.03) %
6/30/02	9,119,645	7,475,450	(1,644,195)	122.0	2,186,850	(75.19)
6/30/03	8,981,376	7,285,211	(1,696,165)	123.3	2,008,139	(84.46)
6/30/04	9,024,879	7,853,174	(1,171,705)	114.9	2,334,064	(50.20)
6/30/05	9,064,409	9,066,103	1,694	99.9	2,104,837	0.08
6/30/06	9,382,013	9,396,152	14,139	99.9	2,098,061	0.67



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**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.

**11. JOINT VENTURE:**

The Hampton Roads Regional Jail Authority (the Authority), a political subdivision of the Commonwealth of Virginia, was created through an agreement by the Cities of Hampton, Newport News, Norfolk and Portsmouth (the member jurisdictions). The Authority has the responsibility to finance the acquisition, construction and operation of a regional jail facility for the benefit of the member jurisdictions. Each member jurisdiction is responsible for paying the Authority a per diem charge, as established in the Authority's annual budget, for the care, maintenance and subsistence of prisoners from the member jurisdictions. The member jurisdictions have agreed to commit to the Authority its prisoners equal to its initial guaranteed capacity as follows: Hampton, 175 prisoners or 20%; Newport News, 200 prisoners or 22.86%; Norfolk, 250 prisoners or 28.57%; Portsmouth, 250 prisoners or 28.57%. The Authority shall make adjustments to the per diem charge as and when necessary to reconcile projected revenues and expenditures to 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, 2006 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	\$ 29,930,911
Expenditures and other uses	<u>(29,316,297)</u>
Change in fund equity	614,614
Fund equity, July 1, 2005	<u>28,242,434</u>
Fund equity, June 30, 2006	<u>\$ 28,857,048</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 BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**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 \$343,842. 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	\$ 148,412
Buildings	3,649,686
Improvements	2,195,046
Less accumulated depreciation	<u>(3,407,062)</u>
Capital Assets, net	2,586,082

A summary of future minimum rental payments under the operating leases at June 30, 2007 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Future Rental Income</u>
2008	\$ 590,294	\$ 140,051
2009	552,674	6,098
2010	554,306	2,000
2011	517,132	1,000
2012	494,437	
2013-2018	540,000	
	<u>\$ 3,248,843</u>	<u>\$ 149,149</u>

The City's rental expense and rental income for the year ended June 30, 2007 amounted to \$1,628,982 and \$267,814 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.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

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 \$5,559,411 for the lease of the garage facility through 2018. (A portion of the garage lease payments will be offset by fees charged for parking.)

A summary of future minimum rent payments under the operating lease with Harbor Center at June 30, 2007 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 505,401
2009	505,401
2010	505,401
2011	505,401
2012	505,401
2013– 2017	2,527,005
2018	505,401
	<u>\$ 5,559,411</u>

**Self-Insurance:**

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

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

	<u>City</u>	<u>Hampton City Schools</u>
Workers' Compensation	\$ 550,000	\$ 550,000
General Liability	1,000,000	1,000,000 (Auto)
Property Coverage	50,000	100,000
Medical Claims	100,000 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 Funds based on historical cost information. The unrestricted net assets of \$5,917,799 at June 30, 2007 are designated as a reserve for claims in the Risk Management Fund. The City

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

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

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 2007, 2006 and 2005 were:

<u>Risk Management Fund</u>	<u>Claims Liability</u> <u>July 1</u>	<u>Incurred</u> <u>Claims</u>	<u>Claims</u> <u>Payment</u>	<u>Claims Liability</u> <u>June 30</u>
Fiscal Year 2007	\$ 3,231,971	\$ 3,422,012	\$ 2,011,337	\$ 4,642,646
Fiscal Year 2006	2,291,298	1,720,883	780,210	3,231,971
Fiscal Year 2005	1,103,176	1,827,699	639,577	2,291,298

<u>General Fund</u>	<u>Claims Liability</u> <u>July 1</u>	<u>Incurred</u> <u>Claims</u>	<u>Claims</u> <u>Payment</u>	<u>Claims Liability</u> <u>June 30</u>
Fiscal Year 2007	\$ 623,654	\$ 11,422,811	\$ 11,932,616	\$ 113,849
Fiscal Year 2006	487,837	10,922,018	10,786,201	623,654
Fiscal Year 2005	383,408	10,942,321	10,837,892	487,837

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:

SunTrust Bank issued two Standby Letters of Credit totaling \$5,000,000 on the behalf of the IDA in connection with its commitment under certain agreements for the development of the Bass Pro Project. During fiscal year 2005, Old Point National Bank issued a standby Letter of Credit in the amount of \$3,000,000 on the behalf of the IDA in connection with its commitment under certain agreements for the National Institute of Aerospace Associates project. The City has agreed to pay the bank upon each drawing by the beneficiary under the Letters of Credit. During the fiscal year ended June 30, 2007, no draws were made under the Letters of Credit.

Cooperation agreement:

On October 1, 2007, the City entered into a cooperation agreement with the Hampton Redevelopment and Housing Authority to provide financial assistance in connection with a workout in lieu of foreclosure of a downtown hotel project acquired through a subsidiary of the Authority. The agreement requires the City to fund operating deficits of the hotel and debt service payments on \$5,750,000 of the project debt. Annual payments are estimated at \$1.4 million, which includes \$600,000 to fund the estimated operating deficit, and are subject to appropriation by the City Council. The hotel is being actively marketed for sale by a commercial real estate agent, and is expected to be sold in the near future. When the project is sold, the City's obligation to fund debt service payments and operating deficits will terminate.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**13. SURETY BONDS:**

The City maintained the following surety bond coverage on certain employees during the fiscal year ended June 30, 2007:

<u>Official Covered</u>	<u>Description</u>	<u>Amount</u>
Darling Stadium Trustees	Gulf - Trustee Liability Coverage	\$2,000,000 aggregate
School assigned nurses	Columbia Casualty	\$3,000,000 aggregate
City Treasurer	Pennsylvania National Mutual Casualty Insurance Company	\$600,000 per occurrence for City Funds

The Commonwealth of Virginia maintains a Faithful Performance of Duty bond on Constitutional Officers pursuant to Sections 2.2-1840 and 15.2-1527 of the *Code of Virginia*. The coverage on the Treasurer does not extend to the loss of any City funds.

<u>Official Covered</u>	<u>Description</u>	<u>Amount</u>
Treasurer	Commonwealth of Virginia Faithful Performance of Duty Bond	\$1,500,000
Commissioner of Revenue	Commonwealth of Virginia Faithful Performance of Duty Bond	\$3,000
Clerk of the Circuit Court	Commonwealth of Virginia Faithful Performance of Duty Bond	\$3,000,000
Sheriff	Commonwealth of Virginia Faithful Performance of Duty Bond	\$30,000

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2007**

**14. POST-RETIREMENT HEALTH CARE BENEFITS:**

In addition to the pension benefits described in Note 9, the City and HRHA provides post-retirement health care benefits, in accordance with the City's Personnel Policies and Procedures Ordinance, to all full-time, salaried permanent employees and public safety officers who retire from the City 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, 698 City retirees and 13 HRHA retirees meet these eligibility requirements. The employer's contribution ranges from 0% to 88% 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's contributions are financed on a pay-as-you-go basis. During fiscal year 2007, expenditures of \$1,945,776 and \$60,227 for the City and HRHA, respectively, were recognized for post-retirement health care benefits.

Hampton City School Board employees may accumulate an unlimited number of sick leave days. At retirement, instead of taking payment for these days, the employee may elect to take a specified credit toward their post retirement health insurance costs. Expenditures for these post retirement benefits are recognized as retirees receive the benefit. During the year 166 employees were participating in this plan and the cost was \$280,563.

**15. LEASE RECEIVABLES:**

The IDA issued Revenue Bonds (Note 8) to improve land and buildings used by Whitney Rand Corporation and to construct the Peninsula Workforce Development Center (PWDC). Under terms of agreements with these organizations, revenues generated from the lease of the buildings are used to make the bond payments with the lease term being equivalent to the life of the bond. As of June 30, 2007, future lease receivables were \$13,860,830 from PWDC. The Whitney Rand lease receivable was paid off in May of 2007. The minimum lease payments for the next five years are:

<b>Year Ending</b>	
<b>June 30,</b>	<b>PWDC</b>
2008	\$ 990,059
2009	990,059
2010	990,059
2011	990,059
2012	990,059

Upon completion of PWDC, \$815,183 in unearned interest income was used to offset direct costs. This amount will be allocated over the life of the lease at \$40,466 per year.

**CITY OF HAMPTON, VIRGINIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS,  
JUNE 30, 2007**

**16. RESTATED BEGINNING BALANCES:**

In 2002 the Debt Service Fund advanced bond proceeds to the Steamplant Fund and the transaction was recorded on the books as a notes receivable and deferred revenue. The proper treatment should have been advance to other funds, reduction of cash, with no effect on revenue. As a result, the fund balance for the Debt Service Fund is as follows:

Fund Balance, beginning of year	\$ 11,773,267
Prior period adjustment related to advance to Steam Plant Fund	6,260,641
Fund Balance, beginning of year, as restated	<u>\$ 18,033,908</u>

In fiscal year 2007, the Steam Plant was reclassified from an internal service fund to an enterprise fund. As a result, the beginning net assets for governmental activities for fiscal year 2007 have been restated:

Net assets, beginning of year, restated	\$ 617,536,829
Adjustment from Internal Service Fund to an Enterprise Fund	(3,966,427)
Net assets, beginning of year, as restated	<u>\$ 613,570,402</u>

Business-type activities has a corresponding adjustment to its net assets:

Net assets, beginning of year	\$ 131,541,053
Adjustment from Internal Service Fund to an Enterprise Fund	3,966,427
Net assets, beginning of year, as restated	<u>\$ 135,507,480</u>

Additionally, the beginning net assets for Internal service funds for fiscal year 2007 has been adjusted as follows:

Net assets, beginning of year	\$ 27,947,410
Adjustment from Internal Service Fund to an Enterprise Fund	(3,966,427)
Net assets, beginning of year, as restated	<u>\$ 23,980,983</u>

Non Major enterprise funds has a corresponding adjustment to its fund balance:

Net assets, beginning of year	\$ 18,574,492
Adjustment from Internal Service Fund to an Enterprise Fund	3,966,427
Net assets, beginning of year, as adjusted	<u>\$ 22,540,919</u>

As a result of this reclassification, the capital assets for Governmental activities for fiscal year 2007 have been adjusted as follows:

Capital assets, net, beginning of year	\$ 653,810,572
Adjustment from Internal Service Fund to an Enterprise Fund	(9,920,961)
Capital assets, net, beginning of year, as adjusted	<u>\$ 643,889,611</u>

Business-type activities had a corresponding adjustment to capital assets:

Capital assets, net, beginning of year	\$ 201,854,157
Adjustment from Internal Service Fund to an Enterprise Fund	9,920,961
Reclass property for resale from capital assets in HRHA Fund	(3,430,650)
Capital assets, net, beginning of year, as adjusted	<u>\$ 208,344,468</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS,**  
**JUNE 30, 2007**

**16. RESTATED BEGINNING BALANCES, Continued:**

As a result of this reclassification, general obligation and other long-term debt for governmental activities for fiscal year 2007 have been adjusted as follows:

Governmental activities long term liabilities, beginning of year	\$ 211,211,196
Adjustment from Internal Service Fund to an Enterprise Fund	<u>(124,777)</u>
Governmental activities long term liabilities, beginning of year, as adjusted	<u><u>\$ 211,086,419</u></u>

Business-type activities had a corresponding adjustment to general obligation and other long-term debt:

Business-type activities long term liabilities, beginning of year	\$ 123,605,397
Adjustment from Internal Service Fund to an Enterprise Fund	<u>124,777</u>
Business-type activities long term liabilities, beginning of year, as adjusted	<u><u>\$ 123,730,174</u></u>

**17. SUBSEQUENT EVENTS:**

On November 1, 2007, the City issued \$145,815,000 of General Obligation Public Improvement and Refunding Bonds, Series 2007. The proceeds will be used to pay the costs of various capital improvement projects and to pay off the City's General Obligation Public Improvement Bond Anticipation Notes, Series 2007, issued on April 25, 2007.



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# GENERAL FUND



**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
BALANCE SHEET  
June 30, 2007**

**ASSETS**

Cash and cash equivalents	\$ 59,899,210
Investments	27,859,627
Accounts receivables:	
Taxes (net of allowance for uncollectible of \$1,738,388)	6,628,363
Due from other governments	9,683,279
Other	2,607,923
Due from other funds	7,952,140
Due from component units	2,022,141
Inventories	55,314
Advances to other funds	75,000
Total assets	<u>\$ 116,782,997</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:	
Accounts payable	\$ 6,986,720
Accrued health insurance	3,489,547
Claims payable	113,849
Accrued liabilities	2,732,116
Deferred revenue	5,769,231
Due to other funds	9,599,085
Due to component units	4,350,938
Total liabilities	<u>33,041,486</u>
Fund balances:	
Reserved for:	
Encumbrances	1,496,568
Courthouse maintenance	145,894
Hazmat	9,473
Advances to other funds	75,000
Unreserved:	
Designated for succeeding year	27,395,834
Undesignated	54,618,742
Total fund balances	<u>83,741,511</u>
Total liabilities and fund balances	<u>\$ 116,782,997</u>

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2007**

	<b>Budget</b>	<b>Net</b>	<b>Final</b>		<b>Variance</b>
	<b>July 1, 2006</b>	<b>Changes</b>	<b>June 30, 2007</b>	<b>Actual</b>	<b>Over</b>
					<b>(Under)</b>
General property taxes:					
Real estate	\$ 103,566,630	\$ -	\$ 103,566,630	\$ 106,338,686	\$ 2,772,056
Real estate BID	642,420	-	642,420	671,652	29,232
Public service	2,291,355	-	2,291,355	2,412,805	121,450
Personal property	31,215,636	-	31,215,636	35,039,870	3,824,234
Mobile homes	31,265	-	31,265	47,351	16,086
Machinery and tools	1,632,000	-	1,632,000	2,007,798	375,798
Delinquent taxes	850,000	-	850,000	731,640	(118,360)
Penalty	935,000	-	935,000	987,283	52,283
Total general property taxes	<u>141,164,306</u>	<u>-</u>	<u>141,164,306</u>	<u>148,237,085</u>	<u>7,072,779</u>
Other local taxes:					
Utility - cable television	1,598,033	-	1,598,033	1,247,982	(350,051)
Utility - telephone	2,561,000	-	2,561,000	1,225,293	(1,335,707)
Utility - electric and gas	4,800,000	-	4,800,000	4,978,850	178,850
Utility - cellular phone	2,085,000	-	2,085,000	1,097,910	(987,090)
Communications sales tax	-	-	-	3,188,586	3,188,586
Tobacco	3,900,000	-	3,900,000	3,941,825	41,825
Business license	11,500,000	-	11,500,000	12,392,739	892,739
Short-term rental	110,068	-	110,068	135,842	25,774
Sales and use	13,200,000	-	13,200,000	13,804,658	604,658
Recordation	1,100,000	-	1,100,000	2,233,690	1,133,690
Public Right of Way	510,000	-	510,000	462,172	(47,828)
Lodging and transit	2,900,000	-	2,900,000	3,045,339	145,339
Amusement	1,305,394	-	1,305,394	1,132,339	(173,055)
Meal	13,485,000	-	13,485,000	13,684,782	199,782
Motor vehicle	2,894,321	-	2,894,321	3,246,739	352,418
Bank stock	306,399	-	306,399	308,625	2,226
License tax - pari-mutuel	117,013	-	117,013	112,658	(4,355)
Total other local taxes	<u>62,372,228</u>	<u>-</u>	<u>62,372,228</u>	<u>66,240,029</u>	<u>3,867,801</u>
License, permits and privilege fees					
Animal licenses	14,350	-	14,350	20,942	6,592
Street and taxi permits	68,930	-	68,930	49,570	(19,360)
Zoning and land use	204,049	-	204,049	155,919	(48,130)
Building permits	899,526	-	899,526	1,313,326	413,800
Miscellaneous	13,726	-	13,726	28,552	14,826
Total license, permits and privilege fees	<u>1,200,581</u>	<u>-</u>	<u>1,200,581</u>	<u>1,568,309</u>	<u>367,728</u>
Total fines and forfeitures	<u>1,766,223</u>	<u>-</u>	<u>1,766,223</u>	<u>2,142,191</u>	<u>375,968</u>
Revenue from use of money and property					
Interest on investments	2,000,000	-	2,000,000	3,757,951	1,757,951
Rental of property	100,000	-	100,000	132,524	32,524
Sale of materials and property	35,000	-	35,000	79,989	44,989
Vending machine commissions	9,500	-	9,500	5,052	(4,448)
Parking fees	98,023	-	98,023	77,713	(20,310)
Net increase(decrease) in fair value of investments	-	-	-	22,978	22,978
Total revenue from use of money and property	<u>2,242,523</u>	<u>-</u>	<u>2,242,523</u>	<u>4,076,207</u>	<u>1,833,684</u>

continued

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL  
Fiscal Year Ended June 30, 2007**

	<b>Budget July 1, 2006</b>	<b>Net Changes</b>	<b>Final June 30, 2007</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
Charges for services:					
Fees:					
Court costs	\$ -	\$ -	\$ -	\$ 1,050	\$ 1,050
Clerk	400,000	-	400,000	499,456	99,456
Court officers	26,000	-	26,000	29,278	3,278
Recreation	1,860,558	-	1,860,558	2,039,298	178,740
Healthy Start/ Healthy Families	1,355,882	-	1,355,882	450,593	(905,289)
Animal Control	-	-	-	10,952	10,952
Sheriff	89,741	-	89,741	81,802	(7,939)
Legal services	7,200	-	7,200	7,200	-
Library	66,000	-	66,000	75,627	9,627
Ambulance services	1,750,000	-	1,750,000	2,387,034	637,034
Landfill host fees	600,000	-	600,000	397,438	(202,562)
Total charges for services	<u>6,155,381</u>	<u>-</u>	<u>6,155,381</u>	<u>5,979,728</u>	<u>(175,653)</u>
Miscellaneous revenue:					
Payment in lieu of taxes	63,185	-	63,185	61,587	(1,598)
Returned check charges	12,000	-	12,000	12,745	745
Unemployment fees	8,665	-	8,665	5,307	(3,358)
School reimbursement	1,137,963	-	1,137,963	1,033,222	(104,741)
Indirect cost	1,074,470	-	1,074,470	1,055,745	(18,725)
Payments from component units	-	-	-	2,011,281	2,011,281
Other	463,000	-	463,000	743,080	280,080
Total miscellaneous revenue	<u>2,759,283</u>	<u>-</u>	<u>2,759,283</u>	<u>4,922,967</u>	<u>2,163,684</u>
Recovered costs:					
Jail operation	1,381,312	140,000	1,521,312	1,497,865	(23,447)
Probation	8,500	-	8,500	9,641	1,141
Police	6,830,218	890,267	7,720,485	7,720,484	(1)
NASA fire services	851,000	-	851,000	851,000	-
Miscellaneous	150,000	-	150,000	182,493	32,493
Total recovered cost	<u>9,221,030</u>	<u>1,030,267</u>	<u>10,251,297</u>	<u>10,261,483</u>	<u>10,186</u>
Noncategorical aid - state:					
ABC profits	85,847	-	85,847	85,847	-
Wine taxes	89,984	-	89,984	89,984	-
Vehicle rental and railroad tax	298,406	-	298,406	355,709	57,303
Mobile home titling tax	11,992	-	11,992	38,772	26,780
Tax on deeds	328,488	-	328,488	425,684	97,196
Total noncategorical aid - state	<u>814,717</u>	<u>-</u>	<u>814,717</u>	<u>995,996</u>	<u>181,279</u>
Shared expenses - state:					
Sheriff	6,265,891	158,816	6,424,707	5,518,634	(906,073)
Commonwealth Attorney	1,201,674	50,634	1,252,308	1,247,515	(4,793)
Commissioner of Revenue	303,516	11,464	314,980	317,363	2,383
Treasurer	296,938	9,464	306,402	306,785	383
Clerk of Courts	675,362	206,095	881,457	742,826	(138,631)
Registrar - election board	61,799	-	61,799	67,422	5,623
Medical examinations	3,000	-	3,000	1,230	(1,770)
Total shared expenses - state	<u>8,808,180</u>	<u>436,473</u>	<u>9,244,653</u>	<u>8,201,775</u>	<u>(1,042,878)</u>

continued

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL  
Fiscal Year Ended June 30, 2007**

	<b>Budget July 1, 2006</b>	<b>Net Changes</b>	<b>Final June 30, 2007</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
Categorical aid - state:					
Public assistance	\$ 4,609,525	\$ -	\$ 4,609,525	\$ 4,983,799	\$ 374,274
Street and highway maintenance	11,108,055	435,342	11,543,397	11,543,398	1
Public library books	202,881	11,968	214,849	214,699	(150)
Virginia juvenile block grant	441,197	-	441,197	441,197	-
Healthy start program	225,000	-	225,000	225,000	-
Federal Emergency Management Agency (FEMA)	-	-	-	3,038	3,038
Total categorical aid - state	<u>16,586,658</u>	<u>447,310</u>	<u>17,033,968</u>	<u>17,411,131</u>	<u>377,163</u>
Categorical aid - federal:					
Pass thru - public assistance	10,686,291	20,500	10,706,791	9,581,650	(1,125,141)
Pass thru - Federal Rad. Emergency Response	-	-	-	20,500	20,500
Pass thru - Federal Emergency Management	-	-	-	9,971	9,971
Total categorical aid - federal	<u>10,686,291</u>	<u>20,500</u>	<u>10,706,791</u>	<u>9,612,121</u>	<u>(1,094,670)</u>
Noncategorical aid - federal					
Indirect costs - total	<u>218,000</u>	<u>-</u>	<u>218,000</u>	<u>289,552</u>	<u>71,552</u>
Total revenues	<u>263,995,401</u>	<u>1,934,550</u>	<u>265,929,951</u>	<u>279,938,574</u>	<u>14,008,623</u>
Other credits:					
Grants Fund - transfer	-	-	-	412,731	412,731
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>412,731</u>	<u>412,731</u>
Total revenues and transfers	<u>263,995,401</u>	<u>1,934,550</u>	<u>265,929,951</u>	<u>280,351,305</u>	<u>14,421,354</u>
Appropriations from fund balance	2,400,000	15,875,039	18,275,039	18,275,039	-
Appropriations - encumbrances	<u>-</u>	<u>1,225,382</u>	<u>1,225,382</u>	<u>1,225,382</u>	<u>-</u>
Total appropriations	<u>2,400,000</u>	<u>17,100,421</u>	<u>19,500,421</u>	<u>19,500,421</u>	<u>-</u>
Total revenues and other credits	<u>\$ 266,395,401</u>	<u>\$ 19,034,971</u>	<u>\$ 285,430,372</u>	<u>\$ 299,851,726</u>	<u>\$ 14,421,354</u>

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**Fiscal Year Ended June 30, 2007**

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2006	Net Changes	Final June 30, 2007	Personal Services	Other Expenses	Capital Outlay	Total	
<b>General Government</b>								
Legislative:								
Municipal Council	\$ 432,105	\$ 42,004	\$ 474,109	\$ 331,390	\$ 107,112	\$ 6,150	\$ 444,652	\$ 29,457
Legislative - Total	<u>432,105</u>	<u>42,004</u>	<u>474,109</u>	<u>331,390</u>	<u>107,112</u>	<u>6,150</u>	<u>444,652</u>	<u>29,457</u>
Executive:								
City Manager	865,313	269,797	1,135,110	934,188	120,795	4,312	1,059,295	75,815
Budget and Analysis	294,115	48,004	342,119	238,831	36,400	1,656	276,887	65,232
Citizens Unity Commission	177,074	71,598	248,672	123,903	74,303	-	198,206	50,466
311 Call Center	<u>575,322</u>	<u>91,500</u>	<u>666,822</u>	<u>501,977</u>	<u>61,214</u>	<u>5,791</u>	<u>568,982</u>	<u>97,840</u>
Executive - Total	<u>1,911,824</u>	<u>480,899</u>	<u>2,392,723</u>	<u>1,798,899</u>	<u>292,712</u>	<u>11,759</u>	<u>2,103,370</u>	<u>289,353</u>
City Attorney:								
Law - City Attorney	<u>1,002,430</u>	<u>97,168</u>	<u>1,099,598</u>	<u>983,631</u>	<u>100,915</u>	<u>4,926</u>	<u>1,089,472</u>	<u>10,126</u>
City Attorney - Total	<u>1,002,430</u>	<u>97,168</u>	<u>1,099,598</u>	<u>983,631</u>	<u>100,915</u>	<u>4,926</u>	<u>1,089,472</u>	<u>10,126</u>
Human Resources - Total	<u>671,905</u>	<u>124,004</u>	<u>795,909</u>	<u>527,667</u>	<u>103,743</u>	<u>8,371</u>	<u>639,781</u>	<u>156,128</u>
Judicial:								
Clerk of Courts	859,948	270,993	1,130,941	666,888	93,577	25,759	786,224	344,717
Circuit Court	380,426	55,066	435,492	319,305	47,721	2,093	369,119	66,373
General District Court	205,176	16,245	221,421	71,646	118,400	6,807	196,853	24,568
District Court - J.D.R.	55,087	9,997	65,084	-	43,843	1,490	45,333	19,751
Commonwealth Attorney	1,512,808	80,159	1,592,967	1,361,231	109,735	8,170	1,479,136	113,831
City Sheriff - Administration	1,497,680	113,189	1,610,869	1,414,572	171,187	-	1,585,759	25,110
City Sheriff - Jail	5,866,409	569,516	6,435,925	4,599,465	1,627,984	95,316	6,322,765	113,160
Court Service Unit	<u>2,076,772</u>	<u>802,204</u>	<u>2,878,976</u>	<u>66,708</u>	<u>1,160,675</u>	<u>1,893</u>	<u>1,229,276</u>	<u>1,649,700</u>
Judicial - Subtotal	<u>12,454,306</u>	<u>1,917,369</u>	<u>14,371,675</u>	<u>8,499,815</u>	<u>3,373,122</u>	<u>141,528</u>	<u>12,014,465</u>	<u>2,357,210</u>
Less amount reflected as transfers	-	(13,842)	(13,842)	-	(2,476)	-	(2,476)	(11,366)
Judicial - Total	<u>12,454,306</u>	<u>1,903,527</u>	<u>14,357,833</u>	<u>8,499,815</u>	<u>3,370,646</u>	<u>141,528</u>	<u>12,011,989</u>	<u>2,345,844</u>

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2006	Net Changes	Final June 30, 2007	Personal Services	Other Expenses	Capital Outlay	Total	
<b>General Government, continued:</b>								
Boards and Commissions:								
Planning Commission	\$ 930,213	\$ 106,772	\$ 1,036,985	\$ 810,787	\$ 110,340	\$ 14,293	\$ 935,420	\$ 101,565
Elections Board	124,850	(2,859)	121,991	49,591	18,071	-	67,662	54,329
Registrar	211,152	60,576	271,728	170,862	11,648	-	182,510	89,218
Development	1,650,835	329,203	1,980,038	1,124,757	462,095	1,703	1,588,555	391,483
Minority Business Development	163,318	-	163,318	5,000	2,207	1,393	8,600	154,718
Neighborhood Services	641,027	80,359	721,386	537,270	125,016	2,591	664,877	56,509
Boards and Commissions - Total	<u>3,721,395</u>	<u>574,051</u>	<u>4,295,446</u>	<u>2,698,267</u>	<u>729,377</u>	<u>19,980</u>	<u>3,447,624</u>	<u>847,822</u>
Agriculture - Extension Agent - Total	<u>105,309</u>	<u>30,596</u>	<u>135,905</u>	<u>58,070</u>	<u>61,725</u>	<u>1,728</u>	<u>121,523</u>	<u>14,382</u>
Nondepartmental:								
Nondepartmental	12,826,710	4,457,379	17,284,089	392,144	13,754,474	1,970,221	16,116,839	1,167,250
Civic and community support	961,751	320,850	1,282,601	-	1,266,510	-	1,266,510	16,091
Other	2,489,499	(539,364)	1,950,135	-	1,279,309	-	1,279,309	670,826
Nondepartmental - Subtotal	<u>16,277,960</u>	<u>4,238,865</u>	<u>20,516,825</u>	<u>392,144</u>	<u>16,300,293</u>	<u>1,970,221</u>	<u>18,662,658</u>	<u>1,854,167</u>
Less amount reflected as transfers	-	(314,654)	(314,654)	-	(239,045)	-	(239,045)	(75,609)
Nondepartmental - Total	<u>16,277,960</u>	<u>3,924,211</u>	<u>20,202,171</u>	<u>392,144</u>	<u>16,061,248</u>	<u>1,970,221</u>	<u>18,423,613</u>	<u>1,778,558</u>
Finance:								
Commissioner of Revenue	1,129,205	62,439	1,191,644	1,009,872	137,254	19,004	1,166,130	25,514
Assessment	1,160,402	230,731	1,391,133	885,130	167,475	168,071	1,220,676	170,457
City Treasurer	1,319,691	36,997	1,356,688	888,984	425,003	30,140	1,344,127	12,561
Procurement	407,688	41,486	449,174	385,680	58,806	-	444,486	4,688
Independent Auditors	118,124	20,610	138,734	921	123,851	-	124,772	13,962
Finance	992,790	353,253	1,346,043	891,129	75,252	11,999	978,380	367,663
Information Services	2,364,754	437,863	2,802,617	1,360,659	608,670	417,882	2,387,211	415,406
Finance - Total	<u>7,492,654</u>	<u>1,183,379</u>	<u>8,676,033</u>	<u>5,422,375</u>	<u>1,596,311</u>	<u>647,096</u>	<u>7,665,782</u>	<u>1,010,251</u>
Retirement and Employee Benefits								
Total	<u>32,900,230</u>	<u>(4,934,588)</u>	<u>27,965,642</u>	<u>710,855</u>	<u>26,012,181</u>	<u>-</u>	<u>26,723,036</u>	<u>1,242,606</u>

(Continued)



**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**Fiscal Year Ended June 30, 2007**

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2006	Net Changes	Final June 30, 2007	Personal Services	Other Expenses	Capital Outlay	Total	
<b>General Government, concluded:</b>								
Public Works:								
Administration	\$ 319,179	\$ 192,776	\$ 511,955	\$ 282,338	\$ 80,776	\$ 94,818	\$ 457,932	\$ 54,023
Engineering	838,726	45,633	884,359	768,613	113,297		881,910	2,449
Property Maintenance	3,713,134	78,265	3,791,399	1,167,629	2,473,103	7,588	3,648,320	143,079
Parking Facilities	811,396	39,384	850,780	30,120	704,892	-	735,012	115,768
Public Works - Total	<u>5,682,435</u>	<u>356,058</u>	<u>6,038,493</u>	<u>2,248,700</u>	<u>3,372,068</u>	<u>102,406</u>	<u>5,723,174</u>	<u>315,319</u>
<b>General Government - Total</b>	<u>82,652,553</u>	<u>3,781,309</u>	<u>86,433,862</u>	<u>23,671,813</u>	<u>51,808,038</u>	<u>2,914,165</u>	<u>78,394,016</u>	<u>8,039,846</u>
Public Safety:								
Police Division	19,401,008	1,166,907	20,567,915	16,095,019	4,034,585	171,091	20,300,695	267,220
Traffic Engineering	2,767,248	(42,438)	2,724,810	763,250	1,855,450	3,976	2,622,676	102,134
Fire Division	14,300,247	2,111,388	16,411,635	13,302,208	2,642,221	341,240	16,285,669	125,966
Codes Compliance	1,871,715	144,795	2,016,510	1,667,129	285,426	239	1,952,794	63,716
Animal Control	294,681	-	294,681	-	294,681	-	294,681	-
Public Safety - Subtotal	<u>38,634,899</u>	<u>3,380,652</u>	<u>42,015,551</u>	<u>31,827,606</u>	<u>9,112,363</u>	<u>516,546</u>	<u>41,456,515</u>	<u>559,036</u>
Less amount reflected as transfers	-	(114,363)	(114,363)	-	(199,548)	-	(199,548)	85,185
Public Safety - Total	<u>38,634,899</u>	<u>3,266,289</u>	<u>41,901,188</u>	<u>31,827,606</u>	<u>8,912,815</u>	<u>516,546</u>	<u>41,256,967</u>	<u>644,221</u>
Highways and Streets - Total	<u>2,592,564</u>	<u>28,653</u>	<u>2,621,217</u>	<u>1,225,351</u>	<u>1,137,162</u>	<u>42,188</u>	<u>2,404,701</u>	<u>216,516</u>

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2006	Net Changes	Final June 30, 2007	Personal Services	Other Expenses	Capital Outlay	Total	
Health:								
Preventive Medicine	\$ 1,340,724	\$ 75,370	\$ 1,416,094	\$ -	\$ 1,396,970	\$ -	\$ 1,396,970	\$ 19,124
Drainage Maintenance	1,658,724	190,360	1,849,084	786,581	925,948	8,725	1,721,254	127,830
Health - Total	<u>2,999,448</u>	<u>265,730</u>	<u>3,265,178</u>	<u>786,581</u>	<u>2,322,918</u>	<u>8,725</u>	<u>3,118,224</u>	<u>146,954</u>
Human Services:								
Administration	8,972,965	130,406	9,103,371	5,906,551	3,016,155	47,820	8,970,526	132,845
Employment Services	1,351,421	1,022,488	2,373,909	863,379	427,831	14,105	1,305,315	1,068,594
Public Assistance	588,939	159,890	748,829	-	748,828	-	748,828	1
Purchase of Services	6,209,090	(780,137)	5,428,953	-	5,424,009	-	5,424,009	4,944
Emergency Fuel	42,405	(14,449)	27,956	24,115	3,720	-	27,835	121
Food Stamps	37,552	(12,104)	25,448	7,593	10,092	-	17,685	7,763
VISTA (Volunteers in Service to America)	565,946	(194,984)	370,962	194,531	171,045	5,385	370,961	1
Healthy Families Partnership	2,861,670	243,585	3,105,255	2,115,646	445,485	9,953	2,571,084	534,171
Coalition for Youth	456,184	102,226	558,410	171,424	281,304	4,236	456,964	101,446
Human Services - Total	<u>21,086,172</u>	<u>656,921</u>	<u>21,743,093</u>	<u>9,283,239</u>	<u>10,528,469</u>	<u>81,499</u>	<u>19,893,207</u>	<u>1,849,886</u>
Culture and Recreation:								
Recreation	4,018,760	229,963	4,248,723	2,945,198	1,121,447	24,752	4,091,397	157,326
Parks	5,846,575	208,732	6,055,307	3,176,570	2,447,783	43,556	5,667,909	387,398
Conventions and Tourism	2,851,855	385,631	3,237,486	1,089,072	1,474,836	12,601	2,576,509	660,977
Hampton History Museum	316,617	44,941	361,558	200,099	86,937	1,591	288,627	72,931
Culture and Recreation - Subtotal	<u>13,033,807</u>	<u>869,267</u>	<u>13,903,074</u>	<u>7,410,939</u>	<u>5,131,003</u>	<u>82,500</u>	<u>12,624,442</u>	<u>1,278,632</u>
Less amount reflected as transfers	-	(7,500)	(7,500)	-	(7,500)	-	(7,500)	-
Culture and Recreation - Total	<u>13,033,807</u>	<u>861,767</u>	<u>13,895,574</u>	<u>7,410,939</u>	<u>5,123,503</u>	<u>82,500</u>	<u>12,616,942</u>	<u>1,278,632</u>

(Continued)

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
Fiscal Year Ended June 30, 2007**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget July 1, 2006	Net Changes	Final June 30, 2007	Personal Services	Other Expenses	Capital Outlay		Total
Education:								
School Operations	\$ 62,714,186	\$ -	\$ 62,714,186	\$ -	\$ 62,210,746	\$ -	\$ 62,210,746	\$ 503,440
Public Library	2,284,580	119,105	2,403,685	1,624,220	682,484	6,938	2,313,642	90,043
Education - Total	64,998,766	119,105	65,117,871	1,624,220	62,893,230	6,938	64,524,388	593,483
Total expenditures	225,998,209	8,979,774	234,977,983	75,829,749	142,726,135	3,652,561	222,208,445	12,769,538
Operating Transfers Out:								
Capital Projects Funds	7,879,264	6,784,425	14,663,689		9,769,381		9,769,381	4,894,308
Enterprise Funds	8,083,519	91,981	8,175,500		8,151,879		8,151,879	23,621
Special Revenue Funds	2,976,623	1,682,223	4,658,846	-	4,655,147	-	4,655,147	3,699
Debt Service Funds	21,457,786	-	21,457,786	-	21,453,488	-	21,453,488	4,298
Transfers - Total	40,397,192	8,558,629	48,955,821	-	44,029,895	-	44,029,895	4,925,926
Total expenditures and transfers	\$ 266,395,401	\$ 17,538,403	\$ 283,933,804	\$ 75,829,749	\$ 186,756,030	\$ 3,652,561	\$ 266,238,340	\$ 17,695,464

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**NON-MAJOR GOVERNMENTAL  
FUNDS**



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**CITY OF HAMPTON, VIRGINIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2007**

	Special Revenue			
	Federal Grants	Community Development	EXCEL	Enhanced Emergency Telephone Service
<b>ASSETS</b>				
Cash and cash equivalents	\$ 28,799	\$ 656,918	\$ 200	\$ 39
Accounts receivables:				
Due from other governments	3,230,554	478,905		
Other	6,484		227,402	131,208
Notes receivable		49,970		
Due from other funds	655,343	-	29,041	954,198
Total assets	\$ 3,921,180	\$ 1,185,793	\$ 256,643	\$ 1,085,445
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 948,010	\$ 341,484	\$ 21,638	\$ 2,502
Accrued liabilities	47,138	6,569	8,527	41,535
Deferred revenue	63,404	688,805	12,868	
Due to other funds	2,047,272	148,935	120,781	903,960
Due to component unit	80,000	-	-	-
Total liabilities	3,185,824	1,185,793	163,814	947,997
Fund balances:				
Reserved for grants compliance	735,356			
Unreserved:				
Designated for:				
Specific projects			92,829	
E911 system				137,448
Undesignated	-	-	-	-
Total fund balances	735,356	-	92,829	137,448
Total liabilities and fund balances	\$ 3,921,180	\$ 1,185,793	\$ 256,643	\$ 1,085,445

Special Revenue			Permanent Fund		Total Non-major Governmental Funds
Stormwater Management	Pembroke Complex	Law Library	Pearl I. Young		
\$ 3,027,164	\$ 178,301	\$ 112,197	\$ 64,938	\$ 4,068,556	
					3,709,459
171,574	28,656	396	269		565,989
					49,970
-	-	-	-		1,638,582
<u>\$ 3,198,738</u>	<u>\$ 206,957</u>	<u>\$ 112,593</u>	<u>\$ 65,207</u>	<u>\$ 10,032,556</u>	
\$ 169,085	\$ 12,337	\$ 2,249	\$ 1,966	\$ 1,499,271	
32,656	1,607	176		138,208	
171,574				936,651	
471,141	30,693	-	-	3,722,782	
-	-	-	-	80,000	
<u>844,456</u>	<u>44,637</u>	<u>2,425</u>	<u>1,966</u>	<u>6,376,912</u>	
					735,356
	162,320	110,168	63,241		428,558
					137,448
<u>2,354,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,354,282</u>	
<u>2,354,282</u>	<u>162,320</u>	<u>110,168</u>	<u>63,241</u>	<u>3,655,644</u>	
<u>\$ 3,198,738</u>	<u>\$ 206,957</u>	<u>\$ 112,593</u>	<u>\$ 65,207</u>	<u>\$ 10,032,556</u>	



**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2006**

	<b>Special Revenue</b>			
	<u>Federal Grants</u>	<u>Community Development</u>	<u>EXCEL</u>	<u>Enhanced Emergency Telephone Service</u>
<b>REVENUES</b>				
Other local taxes	\$ -	\$ -	\$ 1,340,855	\$ 955,566
Intergovernmental revenues:				
From the Commonwealth of Virginia	8,414,452			609,969
From the Federal government	3,494,461	2,133,410		
Revenues from use of money and property	13,729		11,704	
Charges for services				
Miscellaneous	<u>353,423</u>	<u>1,038,319</u>	<u>412,440</u>	<u>-</u>
Total revenues	<u>12,276,065</u>	<u>3,171,729</u>	<u>1,764,999</u>	<u>1,565,535</u>
<b>EXPENDITURES</b>				
Current:				
General government	691,689	3,171,729	408,100	3,254,646
Public safety	4,766,554			
Sanitation				
Human services	8,597,854			
Culture and recreation	<u>55,140</u>	<u>-</u>	<u>1,523,970</u>	<u>-</u>
Total expenditures	<u>14,111,237</u>	<u>3,171,729</u>	<u>1,932,070</u>	<u>3,254,646</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,835,172)</u>	<u>-</u>	<u>(167,071)</u>	<u>(1,689,111)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,983,259		178,687	1,689,200
Transfers out	<u>(412,731)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>2,570,528</u>	<u>-</u>	<u>178,687</u>	<u>1,689,200</u>
<b>Net change in fund balances</b>	735,356		11,616	89
<b>Fund balances, beginning of year</b>	<u>-</u>	<u>-</u>	<u>81,213</u>	<u>137,359</u>
<b>Fund balances, end of year</b>	<u>\$ 735,356</u>	<u>\$ -</u>	<u>\$ 92,829</u>	<u>\$ 137,448</u>

<u>Special Revenue</u>			<u>Permanent Fund</u>		
<u>Stormwater Management</u>	<u>Pembroke Complex</u>	<u>Law Library</u>	<u>Pearl I. Young</u>	<u>Total Non-major Governmental Funds</u>	
\$ -	\$ -	\$ -	\$ -	\$	2,296,421
					9,024,421
					5,627,871
	371,871	3,636	1,997		402,937
3,831,803					3,831,803
147	-	44,990	-		1,849,319
<u>3,831,950</u>	<u>371,871</u>	<u>48,626</u>	<u>1,997</u>		<u>23,032,772</u>
	385,910	45,787			7,957,861
					4,766,554
2,882,691					2,882,691
					8,597,854
-	-	-	-		1,579,110
<u>2,882,691</u>	<u>385,910</u>	<u>45,787</u>	<u>-</u>		<u>25,784,070</u>
<u>949,259</u>	<u>(14,039)</u>	<u>2,839</u>	<u>1,997</u>		<u>(2,751,298)</u>
					4,851,146
<u>(1,634,934)</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(2,047,665)</u>
<u>(1,634,934)</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>2,803,481</u>
(685,675)	(14,039)	2,839	1,997		52,183
<u>3,039,957</u>	<u>176,359</u>	<u>107,329</u>	<u>61,244</u>		<u>3,603,461</u>
<u>\$ 2,354,282</u>	<u>\$ 162,320</u>	<u>\$ 110,168</u>	<u>\$ 63,241</u>	<u>\$</u>	<u>3,655,644</u>

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# NON-MAJOR ENTERPRISE FUNDS



**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2007**

	Business-Type Activities - Non-major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 5,196,808	\$ 126,942	\$ 3,896,439	\$ 902,620	\$ 10,122,809
Accounts receivable	110,747	3,058	1,633,872	164,359	1,912,036
Due from other funds	7,986		48,323		56,309
Due from component units			15,261		15,261
Prepaid expense	1,941				1,941
Inventories	<u>50,433</u>	<u>35,920</u>	-	-	86,353
Total current assets	<u>5,367,915</u>	<u>165,920</u>	<u>5,593,895</u>	<u>1,066,979</u>	<u>12,194,709</u>
Noncurrent assets:					
Capital assets:					
Land and improvements	164,079	2,295,538	4,811,174		7,270,791
Buildings and improvements	13,089,169	1,001,826			14,090,995
Improvements other than buildings	2,850,668	527,712	2,971	20,224,360	23,605,711
Equipment	1,295,476	453,885	7,993,175	2,641,794	12,384,330
Construction in progress	107,527				107,527
Less accumulated depreciation	<u>(12,148,171)</u>	<u>(1,291,193)</u>	<u>(10,078,094)</u>	<u>(13,159,610)</u>	<u>(36,677,068)</u>
Net capital assets	<u>5,358,748</u>	<u>2,987,768</u>	<u>2,729,226</u>	<u>9,706,544</u>	<u>20,782,286</u>
Total noncurrent assets	<u>5,358,748</u>	<u>2,987,768</u>	<u>2,729,226</u>	<u>9,706,544</u>	<u>20,782,286</u>
Total assets	<u>\$ 10,726,663</u>	<u>\$ 3,153,688</u>	<u>\$ 8,323,121</u>	<u>\$ 10,773,523</u>	<u>\$ 32,976,995</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 202,462	\$ 110,173	\$ 463,342	\$ 132,567	\$ 908,544
Accrued interest payable				71,628	71,628
Accrued leave	31,894	13,545	81,037	65,646	192,122
Due to other funds	43,626	1,082,723	76,299	76,093	1,278,741
Deferred revenue	824,744	17,830			842,574
Current portion of long-term debt		19,690			19,690
Other liabilities	<u>59,143</u>	<u>12,303</u>	<u>42,380</u>	<u>30,543</u>	<u>144,369</u>
Total current liabilities	<u>1,161,869</u>	<u>1,256,264</u>	<u>663,058</u>	<u>376,477</u>	<u>3,457,668</u>
Noncurrent liabilities:					
Accrued leave	75,692	15,212	153,662	43,212	287,778
Advances from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,062,962</u>	<u>6,062,962</u>
Total noncurrent liabilities	<u>75,692</u>	<u>15,212</u>	<u>153,662</u>	<u>6,106,174</u>	<u>6,350,740</u>
Total liabilities	<u>1,237,561</u>	<u>1,271,476</u>	<u>816,720</u>	<u>6,482,651</u>	<u>9,808,408</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	5,358,748	2,968,078	2,729,226	9,706,544	20,762,596
Unrestricted	<u>4,130,354</u>	<u>(1,085,866)</u>	<u>4,777,175</u>	<u>(5,415,672)</u>	<u>2,405,991</u>
Total net assets	<u>9,489,102</u>	<u>1,882,212</u>	<u>7,506,401</u>	<u>4,290,872</u>	<u>23,168,587</u>
Total liabilities and net assets	<u>\$ 10,726,663</u>	<u>\$ 3,153,688</u>	<u>\$ 8,323,121</u>	<u>\$ 10,773,523</u>	<u>\$ 32,976,995</u>

**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Fiscal Year Ended June 30, 2007**

	Business-Type Activities - Non-major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
<b>Operating revenues:</b>					
Charges for services	\$ 10,143,340	\$ 806,647	\$ 10,293,464	\$ 5,204,381	\$ 26,447,832
Total operating revenues	<u>10,143,340</u>	<u>806,647</u>	<u>10,293,464</u>	<u>5,204,381</u>	<u>26,447,832</u>
<b>Operating expenses:</b>					
Personal services	1,194,929	447,189	2,160,465	1,413,526	5,216,109
Fringe benefits	361,999	129,171	818,717	474,089	1,783,976
Promoters' fees	4,563,445				4,563,445
City-sponsored events	899,823				899,823
Cost of goods sold	233,558	47,811			281,369
Utilities	273,040	46,346	1,209	358,227	678,822
Insurance	170,584	17,387	141,975	222,218	552,164
Operating supplies	109,264	113,881	128,928	491,680	843,753
Equipment rental	11,436	30,526		25,957	67,919
Equipment and building repairs	131,416	33,000	1,151,378	644,241	1,960,035
Telephone and postage	19,270	6,261	4,401	14,942	44,874
Amusement tax	675,725				675,725
General expense	470,606	4,966	210,089	45,386	731,047
Landfill costs			3,756,295	525,256	4,281,551
Contractual services	309,468	46,603	362,386	173,790	892,247
Indirect cost	120,000		356,470	218,000	694,470
Depreciation and amortization	468,889	79,885	778,514	451,562	1,778,850
Total operating expenses	<u>10,013,452</u>	<u>1,003,026</u>	<u>9,870,827</u>	<u>5,058,874</u>	<u>25,946,179</u>
Operating income (loss)	<u>129,888</u>	<u>(196,379)</u>	<u>422,637</u>	<u>145,507</u>	<u>501,653</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income				38,276	38,276
Interest and fiscal charges		(1,369)		(293,946)	(295,315)
Other	-	-	-	34,608	34,608
Total nonoperating revenues (expenses)	<u>-</u>	<u>(1,369)</u>	<u>-</u>	<u>(221,062)</u>	<u>(224,431)</u>
Income (loss) before transfers and capital contributions	129,888	(197,748)	422,637	(75,555)	279,222
Capital contributions	3,446			400,000	403,446
Transfers in (out)	-	-	(55,000)	-	(55,000)
<b>Change in net assets</b>	133,334	(197,748)	367,637	324,445	627,668
<b>Net assets, beginning of year, as restated</b>	<u>9,355,768</u>	<u>2,079,960</u>	<u>7,138,764</u>	<u>3,966,427</u>	<u>22,540,919</u>
<b>Net assets, end of year</b>	<u>\$ 9,489,102</u>	<u>\$ 1,882,212</u>	<u>\$ 7,506,401</u>	<u>\$ 4,290,872</u>	<u>\$ 23,168,587</u>

**CITY OF HAMPTON, VIRGINIA  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
Fiscal Year Ended June 30, 2007**

	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 10,384,093	\$ 806,699	\$ 10,228,207	\$ 5,160,705	\$ 26,579,704
Cash payments to suppliers for goods and services	(8,304,102)	(352,514)	(6,738,069)	(3,141,120)	(18,535,805)
Cash payments to employees for services	(1,181,987)	(348,735)	(2,169,178)	(1,425,612)	(5,125,512)
Net cash provided by (used in) operating activities	<u>898,004</u>	<u>105,450</u>	<u>1,320,960</u>	<u>593,973</u>	<u>2,918,387</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating transfers in from other funds	-	-	(55,000)	-	(55,000)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>(55,000)</u>	<u>-</u>	<u>(55,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(681,453)		(98,776)	(237,145)	(1,017,374)
Principal paid on revenue bond maturities and long-term debt		(32,722)		(233,396)	(266,118)
Interest paid on revenue bonds and long-term debt		(1,369)		(296,424)	(297,793)
Proceeds from issuance of revenue bonds and long-term debt				35,717	35,717
Capital grants				400,000	400,000
Net cash provided by (used in) capital and related financing activities	<u>(681,453)</u>	<u>(34,091)</u>	<u>(98,776)</u>	<u>(331,248)</u>	<u>(1,145,568)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	-	-	-	34,501	34,501
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,501</u>	<u>34,501</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	216,551	71,359	1,167,184	297,226	1,752,320
Cash and cash equivalents, July 1	<u>4,980,257</u>	<u>55,583</u>	<u>2,729,255</u>	<u>605,394</u>	<u>8,370,489</u>
Cash and cash equivalents, June 30	<u>\$ 5,196,808</u>	<u>\$ 126,942</u>	<u>\$ 3,896,439</u>	<u>\$ 902,620</u>	<u>\$ 10,122,809</u>
Operating income (loss)	<u>\$ 129,888</u>	<u>\$ (196,379)</u>	<u>\$ 422,637</u>	<u>\$ 145,507</u>	<u>\$ 501,653</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	468,889	79,885	778,514	451,562	1,778,850
Decrease (increase) in:					
Accounts receivable	(36,962)	(1,138)	(56,264)	(78,281)	(172,645)
Due from other funds	31,904	-	(8,993)		22,911
Inventories	10,179	1,931			12,110
Deferred charges	(1,941)				(1,941)
Increase (decrease) in:					
Accounts payable	5,389	97,224	116,976	38,422	258,011
Accrued leave	11,952	(5,716)	33,664	(15,919)	23,981
Due to other funds	(6,300)	138,394	34,426	14,243	180,763
Other liabilities	7,291	(9,941)		3,832	1,182
Nonoperating revenues reported as operating				34,607	34,607
Deferred revenue	277,715	1,190	-	-	278,905
Total adjustments	<u>768,116</u>	<u>301,829</u>	<u>898,323</u>	<u>448,466</u>	<u>2,416,734</u>
Net cash provided by (used in) operating activities	<u>\$ 898,004</u>	<u>\$ 105,450</u>	<u>\$ 1,320,960</u>	<u>\$ 593,973</u>	<u>\$ 2,918,387</u>
Non-cash transactions affecting investing capital and related financing activities:					
Acquisition of fixed assets through outside capital contributions	3,446	-	-	-	3,446
Total non-cash transactions	<u>\$ 3,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,446</u>

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# INTERNAL SERVICE FUNDS



**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2007**

<b>ASSETS</b>	<u>Equipment Replacement</u>	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Technology</u>	<u>Totals</u>
Current assets:					
Cash and cash equivalents	\$ 5,737,108	\$ 191,239	\$ 9,681,091	\$ 846,759	\$ 16,456,197
Cash with fiscal agent			58,082		58,082
Accounts receivable	26,753	6,170	34,096	19,797	86,816
Due from other funds	1,977,054	368,967	2,427	128,478	2,476,926
Due from component units		27,836	1,000,000	24	1,027,860
Inventories	-	<u>205,223</u>	-	-	205,223
Total current assets	<u>7,740,915</u>	<u>799,435</u>	<u>10,775,696</u>	<u>995,058</u>	<u>20,311,104</u>
Noncurrent assets:					
Capital assets					
Equipment	29,196,350	781,210	14,176	1,340,906	31,332,642
Less accumulated depreciation	<u>(17,999,770)</u>	<u>(477,712)</u>	<u>(9,732)</u>	<u>(113,656)</u>	<u>(18,600,870)</u>
Total noncurrent assets (net capital assets)	<u>11,196,580</u>	<u>303,498</u>	<u>4,444</u>	<u>1,227,250</u>	<u>12,731,772</u>
Total assets	<u>\$ 18,937,495</u>	<u>\$ 1,102,933</u>	<u>\$ 10,780,140</u>	<u>\$ 2,222,308</u>	<u>\$ 33,042,876</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 115,757	\$ 239,390	\$ 186,978	\$ 58,820	\$ 600,945
Accrued leave		70,450	16,907	18,638	105,995
Due to other funds		19,687	341	5,769	25,797
Deferred revenue			-	20,857	20,857
Current portion of long-term debt	67,871		3,915,297	244,701	4,227,869
Other liabilities	-	<u>24,846</u>	<u>5,142</u>	<u>7,318</u>	<u>37,306</u>
Total current liabilities	<u>183,628</u>	<u>354,373</u>	<u>4,124,665</u>	<u>356,103</u>	<u>5,018,769</u>
Noncurrent liabilities:					
Claims payable			727,349		727,349
Accrued leave		43,958	5,883	10,012	59,853
Notes payable	<u>559,214</u>	-	-	<u>750,156</u>	<u>1,309,370</u>
Total noncurrent liabilities	<u>559,214</u>	<u>43,958</u>	<u>733,232</u>	<u>760,168</u>	<u>2,096,572</u>
Total liabilities	<u>742,842</u>	<u>398,331</u>	<u>4,857,897</u>	<u>1,116,271</u>	<u>7,115,341</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	10,569,495	303,498	4,444	232,393	11,109,830
Unrestricted	<u>7,625,158</u>	<u>401,104</u>	<u>5,917,799</u>	<u>873,644</u>	<u>14,817,705</u>
Total net assets	<u>18,194,653</u>	<u>704,602</u>	<u>5,922,243</u>	<u>1,106,037</u>	<u>25,927,535</u>
Total liabilities and net assets	<u>\$ 18,937,495</u>	<u>\$ 1,102,933</u>	<u>\$ 10,780,140</u>	<u>\$ 2,222,308</u>	<u>\$ 33,042,876</u>

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**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Fiscal Year Ended June 30, 2007**

	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
<b>Operating revenues:</b>					
Charges for services	\$ 2,942,088	\$ 4,751,243	\$ 6,551,203	\$ 1,813,824	\$ 16,058,358
<b>Operating expenses:</b>					
Personal services		857,310	241,500	328,694	1,427,504
Fringe benefits		329,015	78,103	107,174	514,292
Cost of goods sold		3,034,679			3,034,679
Utilities		46,572			46,572
Insurance		43,575	1,711,285	3,203	1,758,063
Operating supplies		29,130	5,435	96,538	131,103
Equipment rental		13,535	22,026	47,447	83,008
Equipment and building repairs		43,820	-	125,073	168,893
Telephone and postage		8,455	6,046	850,076	864,577
General expense	723	15,808	15,160	34,939	66,630
Claims			5,054,683		5,054,683
Contractual services		836		14,611	15,447
Depreciation and amortization	2,392,400	64,601	2,703	57,146	2,516,850
Total operating expenses	2,393,123	4,487,336	7,136,941	1,664,901	15,682,301
Operating income (loss)	548,965	263,907	(585,738)	148,923	376,057
<b>Nonoperating revenues (expenses):</b>					
Interest income	255,091		387,379	26,715	669,185
Interest and fiscal charges	(31,380)			(1,919)	(33,299)
Other	3,475		-		3,475
Gain (loss) on sale of capital assets	76,493	-	-	-	76,493
Total nonoperating revenues (expenses)	303,679	-	387,379	24,796	715,854
Income (loss) before transfers and capital contributions	852,644	263,907	(198,359)	173,719	1,091,911
Capital contributions	967,489			3,152	970,641
Transfers in (out)	(116,000)	-	-	-	(116,000)
<b>Change in net assets</b>	1,704,133	263,907	(198,359)	176,871	1,946,552
<b>Net assets, beginning of year, as restated</b>	16,490,520	440,695	6,120,602	929,166	23,980,983
<b>Net assets, end of year</b>	\$ 18,194,653	\$ 704,602	\$ 5,922,243	\$ 1,106,037	\$ 25,927,535

**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2007**

	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 2,945,193	\$ 4,461,695	\$ 5,578,801	\$ 1,789,524	\$ 14,775,213
Grants received					-
Cash payments to suppliers for goods and services	(723)	(3,362,086)	(5,399,018)	(1,274,078)	(10,035,905)
Cash payments to employees for services	-	(1,162,675)	(241,242)	(323,117)	(1,727,034)
Net cash provided by (used in) operating activities	<u>2,944,470</u>	<u>(63,066)</u>	<u>(61,459)</u>	<u>192,329</u>	<u>3,012,274</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Cash paid to other funds	<u>(212,984)</u>	-	-	-	<u>(212,984)</u>
Net cash provided by (used in) noncapital financing activities	<u>(212,984)</u>	-	-	-	<u>(212,984)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(3,210,759)	1,932	(5,000)	(1,275,028)	(4,488,855)
Principal paid on revenue bond maturities and long-term debt	(60,499)			(274,237)	(334,736)
Interest paid on revenue bonds and long-term debt	(31,380)			(1,919)	(33,299)
Proceeds from issuance of revenue bonds and long-term debt				1,269,094	1,269,094
Proceeds from sale of capital assets	<u>100,380</u>	-	-	-	<u>100,380</u>
Net cash provided by (used in) capital and related financing activities	<u>(3,202,258)</u>	<u>1,932</u>	<u>(5,000)</u>	<u>(282,090)</u>	<u>(3,487,416)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	<u>253,293</u>	-	<u>387,379</u>	<u>26,715</u>	<u>667,387</u>
Net cash provided by (used in) investing activities	<u>253,293</u>	-	<u>387,379</u>	<u>26,715</u>	<u>667,387</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(217,479)	(61,134)	320,920	(63,046)	(20,739)
Cash and cash equivalents, July 1	<u>5,954,587</u>	<u>252,373</u>	<u>9,418,253</u>	<u>909,805</u>	<u>16,535,018</u>
Cash and cash equivalents, June 30	<u>\$ 5,737,108</u>	<u>\$ 191,239</u>	<u>\$ 9,739,173</u>	<u>\$ 846,759</u>	<u>\$ 16,514,279</u>

continued

	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
Operating income (loss)	\$ 548,965	\$ 263,907	\$ (585,738)	\$ 148,923	\$ 376,057
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	2,392,400	64,601	2,703	57,146	2,516,850
Decrease (increase) in:					
Accounts receivable	(370)	(1,763)	(5,485)	(6,786)	(14,404)
Due from other funds		(287,785)	33,769	(105)	(254,121)
Due from component units			(1,000,000)		(1,000,000)
Inventories		(23,855)			(23,855)
Increase (decrease) in:					
Accounts payable	(87,113)	(14,383)	83,304	3,765	(14,427)
Accrued leave		18,229	164	5,302	23,695
Due to other funds	(96,984)	(87,438)	(261)	1,217	(183,466)
Other liabilities		5,421	93	275	5,789
Deferred revenue			(685)	(17,408)	(18,093)
Current portion of long-term accrued claims reported as operating activity			1,733,437		1,733,437
Due to other funds reported as nonoperating activities	96,984				96,984
Accounts payable reported as nonoperating activities	87,113				87,113
Long-term accrued insurance claims reported as operating activity			(322,760)		(322,760)
Nonoperating revenues reported as operating revenues	3,475	-	-	-	3,475
Total adjustments	2,395,505	(326,973)	524,279	43,406	2,636,217
Net cash provided by (used in) operating activities	\$ 2,944,470	\$ (63,066)	\$ (61,459)	\$ 192,329	\$ 3,012,274
Non-cash transactions affecting investing capital and related financing activities:					
Acquisition of capital assets through other funds' capital contributions	\$ 967,489	\$ -	\$ -	\$ 3,152	\$ 970,641
Total non-cash transactions	\$ 967,489	\$ -	\$ -	\$ 3,152	\$ 970,641

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# FIDUCIARY FUNDS





**CITY OF HAMPTON, VIRGINIA  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Fiscal Year Ended June 30, 2007**

	<u>Balance, July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2007</u>
<b><u>Special Welfare Fund</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 186,076	\$ 180,463	\$ 194,532	\$ 172,007
Accounts receivable	13	146	159	-
	<u>\$ 186,089</u>	<u>\$ 180,609</u>	<u>\$ 194,691</u>	<u>\$ 172,007</u>
<b>LIABILITIES</b>				
Deposits	\$ 180,809	328,871	\$ 345,245	\$ 164,435
Accounts payable	5,280	18,442	16,150	7,572
	<u>\$ 186,089</u>	<u>\$ 347,313</u>	<u>\$ 361,395</u>	<u>\$ 172,007</u>
<b><u>Agency Fund</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,588,120	\$ 2,248,921	\$ 6,348,697	\$ 488,344
Accounts receivable	250	662,046	472	661,824
	<u>\$ 4,588,370</u>	<u>\$ 2,910,967</u>	<u>\$ 6,349,169</u>	<u>\$ 1,150,168</u>
<b>LIABILITIES</b>				
Deposits	\$ 729,071	\$ 829,407	\$ 483,701	\$ 1,074,777
Accounts payable	3,859,299	5,894,734	9,678,642	75,391
	<u>\$ 4,588,370</u>	<u>\$ 6,724,141</u>	<u>\$ 10,162,343</u>	<u>\$ 1,150,168</u>
<b><u>Total - All Agency Funds</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,774,196	\$ 2,429,384	\$ 6,543,229	\$ 660,351
Accounts receivable	263	662,192	631	661,824
	<u>\$ 4,774,459</u>	<u>\$ 3,091,576</u>	<u>\$ 6,543,860</u>	<u>\$ 1,322,175</u>
<b>LIABILITIES</b>				
Deposits	\$ 909,880	\$ 1,158,278	\$ 828,946	\$ 1,239,212
Accounts payable and accrued liabilities	3,864,579	5,913,176	9,694,792	82,963
	<u>\$ 4,774,459</u>	<u>\$ 7,071,454</u>	<u>\$ 10,523,738</u>	<u>\$ 1,322,175</u>

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**DISCRETELY PRESENTED  
COMPONENT UNIT - SCHOOL BOARD**



**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**COMBINING BALANCE SHEET**  
**June 30, 2007**

	<u>Operating</u>	<u>Student Activities</u>	<u>Food Services</u>	<u>Special Revenue</u>	<u>Reimbursable Projects</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 48,873	\$ 40,678	\$ 3,694,462	\$ 183,792	\$ 427,190	\$ 4,394,995
Investments				12,385		12,385
Accounts receivables	143,806					143,806
Due from primary government	4,340,747					4,340,747
Due from other funds	4,039,599	22,894	29,056			4,091,549
Due from other governments	2,956,675		243,182		2,710,898	5,910,755
Inventories	-	-	236,385	-	-	236,385
Total assets	<u>\$ 11,529,700</u>	<u>\$ 63,572</u>	<u>\$ 4,203,085</u>	<u>\$ 196,177</u>	<u>\$ 3,138,088</u>	<u>\$ 19,130,622</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and other liabilities	\$ 1,699,686	\$ -	\$ 1,887	\$ -	\$ 80,875	\$ 1,782,448
Due to other funds	29,056	15,776	1,394,021	500	2,652,196	4,091,549
Due to primary government	3,043,433	20,659				3,064,092
Deferred revenue	-	-	-	-	180,136	180,136
Total liabilities	<u>4,772,175</u>	<u>36,435</u>	<u>1,395,908</u>	<u>500</u>	<u>2,913,207</u>	<u>9,118,225</u>
<b>Fund balance</b>						
Reserved for encumbrances	5,410,676					5,410,676
Unreserved						
Designated for schools	1,346,849	27,137	2,807,177	195,677	224,881	4,601,721
Total fund balance	<u>6,757,525</u>	<u>27,137</u>	<u>2,807,177</u>	<u>195,677</u>	<u>224,881</u>	<u>10,012,397</u>
Total liabilities and fund balances	<u>\$ 11,529,700</u>	<u>\$ 63,572</u>	<u>\$ 4,203,085</u>	<u>\$ 196,177</u>	<u>\$ 3,138,088</u>	<u>\$ 19,130,622</u>

**Reconciliation of the School Board's Combining Balance Sheet to the Combining Statement of Activities (exhibit A-12)**

Total fund balance	\$ 10,012,397
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. (Note 6)	86,129,472
Accumulated depreciation on capital assets. (Note 6)	(68,399,842)
Long-term liability for compensated absences. (Note 8)	<u>(6,694,565)</u>
Net assets of governmental activities	<u>\$ 21,047,462</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2007**

	<u>Operating</u>	<u>Student Activities</u>	<u>Food Services</u>	<u>Special Revenue</u>	<u>Reimbursable Projects</u>	<u>Total</u>
<b>REVENUES</b>						
State funds	\$ 135,350,343	\$ -	\$ 260,473	\$ -	\$ 1,286,194	\$ 136,897,010
Federal funds (includes pass through)	1,397,713		4,804,305		15,215,094	21,417,112
Other receipts	868,934	125,085	3,742,513	13,105	565,941	5,315,578
Payments from City	62,210,746					62,210,746
Net increase in fair value of investments	-	-	-	1,885	-	1,885
Total revenues	<u>199,827,736</u>	<u>125,085</u>	<u>8,807,291</u>	<u>14,990</u>	<u>17,067,229</u>	<u>225,842,331</u>
<b>EXPENDITURES</b>						
Education	<u>198,146,108</u>	<u>465,049</u>	<u>7,951,694</u>	<u>500</u>	<u>16,835,690</u>	<u>223,399,041</u>
Excess of revenues over (under) expenditures	<u>1,681,628</u>	<u>(339,964)</u>	<u>855,597</u>	<u>14,490</u>	<u>231,539</u>	<u>2,443,290</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer from:						
Food Services Fund	260,000					260,000
School Operating Fund		265,000				265,000
Reimbursable Projects Fund		6,658				6,658
Transfer to:						
School Operating Fund			(260,000)			(260,000)
Student Activities Fund	(265,000)	-	-	-	(6,658)	(271,658)
Total other sources (uses)	<u>(5,000)</u>	<u>271,658</u>	<u>(260,000)</u>	<u>-</u>	<u>(6,658)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	1,676,628	(68,306)	595,597	14,490	224,881	2,443,290
<b>Fund balance - July 1</b>	<u>5,080,897</u>	<u>95,443</u>	<u>2,211,580</u>	<u>181,187</u>	<u>-</u>	<u>7,569,107</u>
<b>Fund balance - June 30</b>	<u>\$ 6,757,525</u>	<u>\$ 27,137</u>	<u>\$ 2,807,177</u>	<u>\$ 195,677</u>	<u>\$ 224,881</u>	<u>\$ 10,012,397</u>

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

Net change in fund balances - total school funds	\$ 2,443,290
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. (Note 6)	
Capital outlay	2,501,859
Depreciation expense	(3,028,602)
In the statement of activities, the gain on disposal of capital assets is reported. However, in the governmental funds, only the proceeds from sale increase financial resources. The change in net assets differs from the change in fund balance by the net book value of the capital assets abandoned. (Note 6)	173,419
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(56,992)
Decrease of compensated absences reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds. (Note 8)	2,138,325
Change in net assets of governmental activities	<u>\$ 4,171,299</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2007**

	<b>School Board - School Operating Fund</b>			<b>Variance with Final Budget Over (Under)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental:				
State funds	\$136,636,853	\$136,636,853	\$135,350,343	\$ (1,286,510)
Federal funds (includes pass through)	1,239,378	1,239,378	1,397,713	158,335
Miscellaneous	340,000	340,000	868,934	528,934
Payments from City	62,714,186	62,714,186	62,210,746	(503,440)
Total revenues	<u>200,930,417</u>	<u>200,930,417</u>	<u>199,827,736</u>	<u>(1,102,681)</u>
<b>EXPENDITURES</b>				
Current:				
Education	<u>200,925,417</u>	<u>199,535,705</u>	<u>198,146,108</u>	<u>(1,389,597)</u>
Total expenditures	<u>200,925,417</u>	<u>199,535,705</u>	<u>198,146,108</u>	<u>(1,389,597)</u>
Excess of revenues over (under) expenditures	<u>5,000</u>	<u>1,394,712</u>	<u>1,681,628</u>	<u>(286,916)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	260,000	260,000	260,000	-
Transfers out	<u>(265,000)</u>	<u>(265,000)</u>	<u>(265,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	1,389,712	1,676,628	<u>\$ 286,916</u>
<b>Appropriations from fund balance</b>		4,020,964		
<b>Appropriations - encumbrances</b>		<u>(5,410,676)</u>		
Budget - excess of revenues and appropriations from fund balance over (under) expenditures			5,080,897	
<b>Fund balance - July 1</b>	<u>-</u>	<u>-</u>	<u>5,080,897</u>	
<b>Fund balance - June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,757,525</u>	

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# SUPPLEMENTARY INFORMATION





**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF THE TREASURER'S ACCOUNTABILITY**  
**June 30, 2007**

Assets held by the Treasurer:	
Cash on hand	\$ 8,050
Cash in banks:	
Old Point National Bank	5,461,123
Bank of America	2,490,097
Wachovia Bank	656,488
Investments:	
State Local Government Investment Pool	37,000,000
Bankers acceptance	1,071,832
Investment in mutual and money market funds	21,330,295
U.S. Government securities	25,617,003
Corporate issues	2,159,831
Commercial paper	34,971,952
Certificates of deposit	10,400,000
Repurchase agreement	<u>8,316,597</u>
Total assets	<u>\$ 149,483,268</u>
Liabilities of the Treasurer:	
Balance of City funds	<u>\$ 149,483,268</u>
Cash and cash equivalents	
Primary Government per Exhibit A-1	\$ 125,760,081
School Board per Exhibit A-11	4,394,995
Industrial Development Authority per Exhibit A-11	930,109
Federal Area Development Authority	218,270
General Fund Investments per Exhibit A-3	27,859,627
Restricted cash and investments - Enterprise Funds (excluding HRHA) per Exhibit A-6	
Cash and cash equivalents	5,564,311
Investments	26,236,484
Cash and cash equivalents - Agency Funds per Exhibit A-9	660,351
Investments - component Unit - IDA	267,126
Adjust investments in CAFR from fair value to cost	(82,794)
Add: Adjustments to Finance General Ledger	256
Less:	
Petty cash	\$ (25,172)
Cash held by HRHA per Exhibit A-6	(12,319,241)
Cash and investments held by trustees	<u>(29,981,135)</u>
	<u>(42,325,548)</u>
Balance of City funds	<u>\$ 149,483,268</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**INDUSTRIAL DEVELOPMENT AUTHORITY**  
**Fiscal Year Ended June 30, 2007**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 1,436,031
Cash payments to suppliers for goods and services	(509,430)
Cash payments to employees for services	(3,550)
Other receipts (payments)	<u>(4,665)</u>
Net cash provided by (used in) operating activities	<u>918,386</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfers in from primary government	<u>920,078</u>
Net cash provided by (used in) noncapital financing activities	<u>920,078</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(862,101)
Principal paid on revenue bond maturities and long-term debt	(1,696,048)
Interest paid on revenue bonds and long-term debt	<u>(727,544)</u>
Net cash provided by (used in) capital and related financing activities	<u>(3,285,693)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investment securities	(234,944)
Sale of investment securities	171,327
Interest and dividends on investments	133,565
Proceeds from collection of loans	220,859
Proceeds from collection of lease receivable	2,365,477
Interest received on loans	65,992
Interest received on lease receivable	(77,240)
Disbursements for loans	<u>(496,768)</u>
Net cash provided by (used in) investing activities	<u>2,148,268</u>

Net increase (decrease) in cash and cash equivalents (including restricted amounts)	701,039
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Cash and cash equivalents (including restricted), July 1	<u>5,185,971</u>
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Cash and cash equivalents (including restricted), June 30	<u><u>\$ 5,887,010</u></u>
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continued

Operating income (loss)	\$ <u>(845,225)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	109,954
Cost of land sold	546,139
Decrease (increase) in:	
Accounts receivable	21,071
Notes receivable	(241,410)
Due from primary government	(40,259)
Increase (decrease) in:	
Accounts payable	1,165,682
Due to primary government	(40,710)
Other liabilities	(10,000)
Deferred revenue	(4,000)
Accounts receivable reported as nonoperating activities	(70)
Notes receivable reported as nonoperating activities	310,408
Accounts payable reported as nonoperating activities	(93,904)
Due from/to other funds reported as nonoperating activities	<u>40,710</u>
Total adjustments	<u>1,763,611</u>
Net cash provided by (used in) operating activities	\$ <u><u>918,386</u></u>
Non-cash transactions affecting investing capital and related financing activities:	
Net increase (decrease) in fair value of investments	\$ <u>3,673</u>
Total non-cash transactions	\$ <u><u>3,673</u></u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**FEDERAL AREA DEVELOPMENT AUTHORITY**  
**Fiscal Year Ended June 30, 2007**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash payments to suppliers for goods and services	(529,723)
Net cash provided by (used in) operating activities	<u>\$ (529,723)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Payments from primary government	747,993
Net cash provided by (used in) noncapital financing activities	<u>747,993</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	218,270
Cash and cash equivalents (including restricted), July 1	<u>-</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 218,270</u>

Operating income (loss)	<u>\$ (573,640)</u>
-------------------------	---------------------

Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:

Decrease (increase) in:	
Due from primary government	500,000
Increase (decrease) in:	
Accounts payable	43,917
Due to primary government	(142,007)
Accounts payable reported as nonoperating activities	142,007
Due to/from other funds reported as nonoperating activities	<u>(500,000)</u>
Total adjustments	<u>43,917</u>

Net cash provided by (used in) operating activities	<u>\$ (529,723)</u>
---	---------------------

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHOOL OPERATING FUND**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**June 30, 2007**

	<u>Appropriations</u>			<u>Expenditures</u>	<u>Variance Over (Under)</u>
	<u>Budget July 1, 2006</u>	<u>Net Changes</u>	<u>Final June 30, 2007</u>		
<b>EXPENDITURES</b>					
Administration/attendance and health	\$ 10,894,035	\$ 16,577	\$ 10,910,612	\$ 10,484,995	\$ (425,617)
Instructional	159,244,598	(2,361,356)	156,883,242	155,996,093	(887,149)
Public transportation service	10,212,844	84,695	10,297,539	10,259,786	(37,753)
Operation and maintenance of school plant	<u>20,573,940</u>	<u>870,372</u>	<u>21,444,312</u>	<u>21,405,234</u>	<u>(39,078)</u>
Total expenditures	<u>200,925,417</u>	<u>(1,389,712)</u>	<u>199,535,705</u>	<u>198,146,108</u>	<u>(1,389,597)</u>
<b>OPERATING TRANSFERS OUT</b>					
To Student Activities Fund	<u>265,000</u>	<u>-</u>	<u>265,000</u>	<u>265,000</u>	<u>-</u>
Total transfers	<u>265,000</u>	<u>-</u>	<u>265,000</u>	<u>265,000</u>	<u>-</u>
Total expenditures and transfers	<u>\$ 201,190,417</u>	<u>\$ (1,389,712)</u>	<u>\$ 199,800,705</u>	<u>\$ 198,411,108</u>	<u>\$ (1,389,597)</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHOOL OPERATING FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL**  
**June 30, 2007**

	<u>Budget Revenues</u>	<u>Actual Revenues</u>	<u>Variance Over (Under)</u>
<b>State funds:</b>			
Basic appropriation	\$ 69,483,713	\$ 70,354,993	\$ 871,280
At risk payment	2,017,350	1,996,615	(20,735)
Remedial education	1,803,384	1,784,707	(18,677)
Reduced K-3 incentive	2,764,105	2,692,291	(71,814)
Teacher retirement	5,026,098	4,924,465	(101,633)
Social security benefits	3,974,124	3,907,362	(66,762)
Group life insurance	233,772	227,700	(6,072)
Special education	9,924,892	10,358,464	433,572
Textbook payments	1,674,475	1,657,134	(17,341)
Remedial summer school	1,000,000	942,189	(57,811)
At risk 4 year old	2,119,887	2,119,887	-
Gifted	684,618	677,528	(7,090)
Foster home	468,910	245,906	(223,004)
Vocational education	1,574,930	1,515,530	(59,400)
VPSA education tech. grant	960,000	960,000	-
Virginia blind	12,363	12,308	(55)
Reading intervention	306,368	227,171	(79,197)
ESL	331,131	268,867	(62,264)
Enrollment loss	1,068,383	1,372,585	304,202
SOL Algebra Readiness	266,625	266,625	-
Salary Contingency	1,853,478	1,834,283	(19,195)
Lottery	3,887,795	3,830,676	(57,119)
Sales tax	<u>25,200,452</u>	<u>23,173,057</u>	<u>(2,027,395)</u>
Total state funds	<u>136,636,853</u>	<u>135,350,343</u>	<u>(1,286,510)</u>
<b>Federal funds:</b>			
Public law 874	913,736	1,036,893	123,157
Impact aid special education	98,642	102,393	3,751
U.S. Army - ROTC	75,884	87,756	11,872
U.S. Air Force - ROTC	46,094	48,424	2,330
U.S. Navy - ROTC	56,138	65,683	9,545
U.S. Marine Corps - ROTC	<u>48,884</u>	<u>56,564</u>	<u>7,680</u>
Total federal funds	<u>1,239,378</u>	<u>1,397,713</u>	<u>158,335</u>
<b>Other funds:</b>			
Fees from students	40,000	44,560	4,560
Tuition from regular day students	-	7,500	7,500
Miscellaneous Revenue	14,000	313,486	299,486
Medicaid Reimbursement	250,000	156,950	(93,050)
Interest	15,000	65,197	50,197
Other	<u>21,000</u>	<u>281,241</u>	<u>260,241</u>
Total other funds	<u>340,000</u>	<u>868,934</u>	<u>528,934</u>
Total revenues	138,216,231	137,616,990	(599,241)
<b>Other credits:</b>			
Transfer from General Fund	62,714,186	62,210,746	(503,440)
Transfer from Cafeteria Fund	<u>260,000</u>	<u>260,000</u>	<u>-</u>
Total other credits	<u>62,974,186</u>	<u>62,470,746</u>	<u>(503,440)</u>
Total revenues and other credits	<u>\$ 201,190,417</u>	<u>\$ 200,087,736</u>	<u>\$ (1,102,681)</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF ACCOUNTS RECEIVABLE BY SOURCE -**  
**ALL GOVERNMENTAL FUND TYPES AND DISCRETELY**  
**PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**June 30, 2007**

<b>General Fund:</b>	
From Commonwealth of Virginia:	
Sales and use taxes	\$ 1,199,359
Public assistance	1,170,176
Other	7,313,744
General property taxes (net of allowance for uncollectible taxes of \$1,738,388)	6,628,363
Other	<u>2,607,923</u>
Total General Fund	<u>\$ 18,919,565</u>
<b>Special Revenue Funds:</b>	
<b>Federal Grants Fund:</b>	
From the Commonwealth of Virginia	\$ 2,351,041
From the Federal Government	879,513
Other	6,484
Total Federal Grants Fund	<u>\$ 3,237,038</u>
<b>Community Development Fund:</b>	
From the Federal government:	<u>478,905</u>
<b>Economic Development Fund:</b>	
Other	<u>71,831</u>
<b>Excel Fund:</b>	
Franchise Cable Tax	<u>227,402</u>
<b>Enhanced Emergency Telephone Service:</b>	
E911 taxes	<u>131,208</u>
<b>Stormwater Management Fund</b>	
Stormwater fees	<u>171,574</u>
<b>Pembroke Complex</b>	
Other	<u>28,656</u>
<b>Law Library Fund</b>	
Other	396
Total Special Revenue Funds	<u>\$ 4,347,010</u>
<b>Permanent Fund:</b>	
<b>Pearl I Young:</b>	
Other	\$ 269
Total Permanent Fund	<u>\$ 269</u>
<b>Debt Service Fund:</b>	
Other	\$ 1,291
Total Debt Service Fund	<u>\$ 1,291</u>
<b>Capital Projects Fund:</b>	
Other	\$ 35,902
Total Capital Projects Fund	<u>\$ 35,902</u>
<b>Component Unit-School Board:</b>	
From the Commonwealth of Virginia:	
Special education	\$ 813,806
Grants	8,256
Medicaid reimbursement	49,884
Sales taxes	1,796,762
From the Federal Government:	
Federal grants	2,698,721
ROTC	34,297
Schools and libraries (USAC) E-rate	324,441
NSLP combined (Food Service)	184,588
Other	143,806
Total Component Unit-School Board	<u>\$ 6,054,561</u>

**CITY OF HAMPTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2007**

<b>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</b>	<b>Federal Catalogue Number</b>	<b><u>Expenditures</u></b>
DEPARTMENT OF AGRICULTURE:		
FOOD STAMP CLUSTER:		
Pass-through payments:		
Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	\$ 1,662,736
Total Food Stamp Cluster		<u>1,662,736</u>
NUTRITION CLUSTER:		
Direct payments;		
Summer Food Service Program for Children	10.559	169,228
Pass-through payments:		
Department of Education:		
National School Breakfast Program	10.553	1,245,659
National School Lunch Program	10.556	3,558,646
Department of Agriculture and Consumer Services:		
Donated Commodities	10.555	481,400
Total Nutrition Cluster		<u>5,454,933</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
CDBG-ENTITLEMENT AND (HUD-ADMINISTERED) SMALL CITIES CLUSTER:		
Direct payments:		
Community Development Block Grant Program, Entitlement Grants: (\$744,660 provided to subrecipient)	14.218	1,261,241
OTHER		
Direct payments:		
Community Development Block Grant Program, Entitlement Grants: Home Program (\$872,169 provided to subrecipient)	14.239	872,169
Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster		<u>2,133,410</u>
DEPARTMENT OF JUSTICE:		
Direct payments:		
COPS in Schools (2005-CK-WX-0312), (2004-UM-WX-0073)	16.710	8,184
State Criminal Alien Assistance Program (2006-AP-BX-0546), (2004-AP-BX-0206), (2003-AP-BX-0643)	16.606	6,417
Local Law Enforcement Block Grants Program	16.592	13,207
Department of Criminal Justice Services:		
Juvenile Accountability Incentive Block Grant (06-H3227JB04), (05-G3227JB04)	16.523	11,122
Detention Alternative Utilization (05-A4691JJ02), (06-B4691JJ04)	16.540	43,695
Hampton Domestic Violence Community Unified Response Effort (05-A4708VA04), (05-I9367VA04), (06-B4708VA05) (06-J9367VA05)	16.588	104,709
Edward Byrne/Community Oriented Justice Grant (06-A4734AD04)	16.579	48,547
Victim Witness (07-M8574VW06)	16.575	173,155
Criminal Justice System Improvement (07-A5341AD05)	16.579	16,872
Pass-through payments:		
Virginia Department of Emergency Management Justice Assistance Grant (2005-DJ-BX-1416)	16.592	33,965
Total Department of Justice		<u>459,873</u>

continued



**CITY OF HAMPTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2007**

<b>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</b>	<b>Federal Catalogue Number</b>	<b><u>Expenditures</u></b>
FEDERAL EMERGENCY MANAGEMENT AGENCY:		
Pass-through payments:		
Department of Emergency Management:		
Hurricane Isabel Grant	83.520	<u>335,402</u>
Total Federal Emergency Management Agency		<u>335,402</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:		
Direct payments:		
NASA LaRC Vistor Center and Public Education Program (NCC-1-275)	43.000	274,778
NASA Exhibit Contracts	43.000	1,390,000
NASA Steam Sales	43.000	<u>3,701,202</u>
Total National Aeronautics and Space Administration		<u>5,365,980</u>
DEPARTMENT OF EDUCATION:		
Direct payments:		
School Assistance in Federally Affected Areas	84.041	852,360
Pass-through payments:		
Department of Mental Health, Mental Retardation, and Substance Abuse Services:		
Early Intervention Services for Infants and Toddlers with Disabilities and their Families (00-01-15)	84.181	379,937
Department of Education:		
Comprehensive School Reform (CSR)	84.332	260,200
Adult Education State-Administered Program	84.002	159,311
Title I:		
Educationally Deprived Children-LEA (112-00-1) (112-01-1)	84.010A	6,376,819
Reach ED for Homeless Child (112-00-1) (112-01-1) Project Hope (\$9,836 provided to subrecipient)	84.196	37,564
Title II:		
Title II Training and Recruiting	84.367A	1,335,946
Title II Technology Ed	84.318X	89,970
Title III LEP, Immigrant	84.365	38,083
Title V Innovative Programs	84.298A	175,048
Title VI :		
Title VI 21st Century	84.287C	712,884
Title VIB	84.027A	4,298,036
Title IVB--Sliver Grant (112-9900SL)(112-0001SL)	84.027A	32,395
Carl Perkins	84.048	453,917
High Schools That Work(VA-00-HSTW-201-HAMPKECOUG)	84.048A	2,459
Drug-Free Schools and Communities	84.186	158,531
Teaching American History	84.215X	317,341
Safe and Drug Free	75.561	1,560
Learn & Serve-Mary Peake	94.004	<u>440</u>
Total Department of Education		<u>15,682,801</u>

continued

**CITY OF HAMPTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2007**

<b>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</b>	<b>Federal Catalogue Number</b>	<b><u>Expenditures</u></b>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
MEDICAID CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Medical Assistance Program (Medicaid, Title XIX)	93.778	<u>1,060,757</u>
Total Medicaid Cluster		<u>1,060,757</u>
OTHER:		
Pass-through payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	145,699
Temporary Assistance for Needy Families (TANF)	93.558	1,403,695
Healthy Families Partnership - (TANF)	93.558	145,215
Refugee & Entrant Assistance	93.566	34,990
Low-Income Home Energy Assistance (LIHEAP)	93.568	42,810
Child Care and Development Block Grant (CCDBG)	93.575	283,455
Day Care Provider Training (LIC-00-036)	93.596	643
Child Care Development Fund	93.596	963,682
Family Support	93.645	29,839
VISSTA (00-004-SVC)	93.658	254,048
Foster Care - Title IV-E	93.658	1,423,941
Adoption Assistance	93.659	445,452
Social Services Block Grant (SSBG)	93.667	1,307,111
Independent Living	93.674	20,093
Admin. Foster Care Pass-Thru	93.687	70,422
State Children's Insurance Program (CHIP)	93.767	<u>23,555</u>
Total Department of Health and Human Services (Other)		<u>6,594,650</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:		
FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:		
Direct payments:		
Foster Grandparent Program (02SFSVA004), (05SFSVA004)	94.011	<u>324,421</u>
Total Foster Grandparent, Senior Companion Cluster		<u>324,421</u>
ENVIRONMENTAL PROTECTION AGENCY:		
Direct payments:		
Brownfields Assessment	66.818	<u>41,279</u>
Total Environmental Protection Agency:		<u>41,279</u>
DEPARTMENT OF HOMELAND SECURITY:		
Pass-through payments:		
Virginia Department of Emergency Management:		
Buffer Zone Protection Program	97.078	74,660
Home Elevation Program	83.580	259,507
State Homeland Security (VA 2004)	16.592	118,368
LPPA	83.552	40,844
Citizen Corp 2005	97.004	5,834
Homeland Security Critical Infrastrucutre (2006)	97.067	<u>346,500</u>
Total Homeland Security:		<u>845,713</u>

continued

**CITY OF HAMPTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2007**

<b>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</b>	<b>Federal Catalogue Number</b>	<b><u>Expenditures</u></b>
DEPARTMENT OF DEFENSE:		
Direct Payments:		
Office of Economic Adjustment:		
Community Economic Adjustment Planning Assistance (CL0592-06-01)	12.607	425,746
Total Department of Defense		<u>425,746</u>
OTHER FEDERAL ASSISTANCE AND REIMBURSEMENTS:		
Proceeds of seized assets	16.000	137,552
U.S. Army - ROTC	12.000	87,756
U.S. Air Force - ROTC	12.000	48,424
U.S. Navy - ROTC	12.000	65,683
U.S. Marine Corps - ROTC	12.000	56,564
Facility Reduction/DUI Enforcement	20.000	33,834
Facility Reduction/DUI Enforcement	20.000	1,118
Emergency Response Plans	84.184E	<u>191,125</u>
Total Other Federal Assistance and Reimbursements		<u>622,056</u>
Grand Total All Federally Assisted Programs and Grants		<u>\$ 41,009,757</u>

## Notes:

## (A) General

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

The Schedule of Expenditures of Federal Awards does not include federal funding of \$268,000 in the General Fund. This amount represents indirect costs from other federally assisted programs administered by the City and is included in the federal revenues of the applicable program.

## (B) Basis of Accounting

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

## (C) Blended Unit Financial Statements

The Hampton Redevelopment and Housing Authority (HRHA), a blended component unit, was audited by other auditors for its year ended December 31, 2006. The auditor's report dated May 24, 2007 included reports on compliance and internal controls and the Schedule of Expenditures of Federal Awards. A copy of the report can be obtained from:

Board of Commissioners  
Hampton Redevelopment and Housing Authority  
22 Lincoln Street  
Hampton, Virginia 23669

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**MUSEUM REVENUE BONDS**  
**June 30, 2007**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2008</b>	\$ 1,210,000	\$ 379,737	\$ 1,589,737
<b>2009</b>	1,240,000	351,000	1,591,000
<b>2010</b>	1,290,000	301,400	1,591,400
<b>2011</b>	1,330,000	259,475	1,589,475
<b>2012</b>	1,370,000	216,250	1,586,250
<b>2013</b>	1,440,000	147,750	1,587,750
<b>2014</b>	<u>1,515,000</u>	<u>75,750</u>	<u>1,590,750</u>
	<u>\$ 9,395,000</u>	<u>\$ 1,731,362</u>	<u>\$ 11,126,362</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**THE HAMPTONS REVENUE BONDS**  
**June 30, 2007**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2008</b>	\$ 240,000	\$ 88,800	\$ 328,800
<b>2009</b>	250,000	74,100	324,100
<b>2010</b>	260,000	58,800	318,800
<b>2011</b>	270,000	42,900	312,900
<b>2012</b>	285,000	26,250	311,250
<b>2013</b>	<u>295,000</u>	<u>8,850</u>	<u>303,850</u>
	<u>\$ 1,600,000</u>	<u>\$ 299,700</u>	<u>\$ 1,899,700</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**CONVENTION CENTER REVENUE BONDS**

**June 30, 2007**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2008</b>	\$ -	\$ 5,360,431	\$ 5,360,431
<b>2009</b>		5,360,431	5,360,431
<b>2010</b>		5,360,431	5,360,431
<b>2011</b>	2,155,000	5,360,432	7,515,432
<b>2012</b>	2,265,000	5,252,682	7,517,682
<b>2013</b>	2,340,000	5,173,406	7,513,406
<b>2014</b>	2,425,000	5,088,581	7,513,581
<b>2015</b>	2,555,000	4,961,269	7,516,269
<b>2016</b>	2,690,000	4,827,131	7,517,131
<b>2017</b>	2,830,000	4,685,907	7,515,907
<b>2018</b>	2,980,000	4,537,331	7,517,331
<b>2019</b>	3,505,000	4,380,881	7,885,881
<b>2020</b>	3,685,000	4,196,869	7,881,869
<b>2021</b>	3,920,000	4,003,406	7,923,406
<b>2022</b>	4,110,000	3,797,606	7,907,606
<b>2023</b>	4,310,000	3,581,831	7,891,831
<b>2024</b>	4,160,000	3,355,556	7,515,556
<b>2025</b>	4,375,000	3,142,356	7,517,356
<b>2026</b>	4,595,000	2,918,138	7,513,138
<b>2027</b>	4,835,000	2,682,644	7,517,644
<b>2028</b>	5,080,000	2,434,850	7,514,850
<b>2029</b>	5,340,000	2,174,500	7,514,500
<b>2030</b>	5,610,000	1,907,500	7,517,500
<b>2031</b>	5,890,000	1,627,000	7,517,000
<b>2032</b>	6,185,000	1,332,500	7,517,500
<b>2033</b>	6,490,000	1,023,250	7,513,250
<b>2034</b>	6,815,000	698,750	7,513,750
<b>2035</b>	7,160,000	358,000	7,518,000
	<u>\$ 106,305,000</u>	<u>\$ 99,583,669</u>	<u>\$ 205,888,669</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**INDUSTRIAL DEVELOPMENT AUTHORITY REVENUE BONDS**

**June 30, 2007**

<b>Fiscal Year Ending June 30,</b>	<b>2002 Tax-Exempt Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2008</b>	\$ 416,524	\$ 573,535	\$ 990,059
<b>2009</b>	442,620	547,439	990,059
<b>2010</b>	470,351	519,708	990,059
<b>2011</b>	499,819	490,240	990,059
<b>2012</b>	531,134	458,925	990,059
<b>2013</b>	564,410	425,649	990,059
<b>2014</b>	599,772	390,288	990,060
<b>2015</b>	637,348	352,711	990,059
<b>2016</b>	677,279	312,780	990,059
<b>2017</b>	719,712	270,347	990,059
<b>2018</b>	764,803	225,256	990,059
<b>2019</b>	812,720	177,340	990,060
<b>2020</b>	863,638	126,421	990,059
<b>2021</b>	917,746	72,313	990,059
<b>2022</b>	352,543	14,814	367,357
	<u>\$ 9,270,419</u>	<u>\$ 4,957,766</u>	<u>\$ 14,228,185</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**GENERAL OBLIGATION BONDS**  
**June 30, 2007**

<b>Serial Bonds:</b>				
<b>Fiscal Year</b>				<b>Total</b>
<b>Ending</b>				<b>Debt Service</b>
<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>		
<b>2008</b>	\$ 11,360,000	\$ 7,786,027		\$ 19,146,027
<b>2009</b>	12,070,000	7,266,601		19,336,601
<b>2010</b>	12,405,000	6,723,537		19,128,537
<b>2011</b>	10,310,000	6,199,166		16,509,166
<b>2012</b>	10,780,000	5,728,948		16,508,948
<b>2013</b>	11,240,000	5,267,834		16,507,834
<b>2014</b>	12,055,000	4,742,578		16,797,578
<b>2015</b>	12,110,000	4,189,150		16,299,150
<b>2016</b>	8,305,000	3,585,676		11,890,676
<b>2017</b>	8,700,000	3,190,106		11,890,106
<b>2018</b>	8,505,000	2,785,906		11,290,906
<b>2019</b>	10,190,000	2,342,369		12,532,369
<b>2020</b>	9,340,000	1,879,106		11,219,106
<b>2021</b>	5,955,000	1,444,175		7,399,175
<b>2022</b>	6,260,000	1,146,425		7,406,425
<b>2023</b>	4,205,000	833,425		5,038,425
<b>2024</b>	4,395,000	638,944		5,033,944
<b>2025</b>	4,600,000	435,675		5,035,675
<b>2026</b>	4,820,000	222,925		5,042,925
	<u>\$ 167,605,000</u>	<u>\$ 66,408,573</u>		<u>\$ 234,013,573</u>



**CITY OF HAMPTON, VIRGINIA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**June 30, 2007**

**Assessed value:**

Real estate	\$ 9,285,101,627	
Public service corporations - real estate	123,453,421	
Newport News Waterworks	<u>66,569,900</u>	<u>\$ 9,475,124,948</u>

Debt limit at 10% of assessed value		<u>947,512,495</u>
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**General obligation bonded debt:**

General obligation tax-exempt bonds	167,605,000	
General obligation taxable bonds	6,490,000	
Bond anticipation notes	29,540,000	
Notes payable	<u>886,123</u>	204,521,123

**Long term notes payable:**

State literary loan		<u>952,327</u>
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Total long-term debt		<u>205,473,450</u>
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Legal debt margin		<u><u>\$ 742,039,045</u></u>
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**Note:**

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 contracts, accrued sick, annual leave and net pension obligation totaling \$12,823,171 at June 30, 2007

There are no overlapping or underlying tax jurisdictions.

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# STATISTICS



# STATISTICAL SECTION

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

## CONTENTS

## TABLE

### Financial Trends

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.

### Revenue Capacity

V-VIII

These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.

### Debt Capacity

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.

### Demographic and Economic Information

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.

### Operating Information

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.

**CITY OF HAMPTON, VIRGINIA**  
**NET ASSETS BY COMPONENT**  
**Last Six Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$ (4,920)	\$ (23,248)	\$ (7,827)	\$ 9,067	\$ 503,004 <sup>1</sup>	\$ 503,514
Restricted	31,321	52,794	43,978	24,780	18,163	13,802
Unrestricted	41,760	43,730	51,040	71,580	96,304	118,758
Total governmental activities net assets	<u>\$ 68,161</u>	<u>\$ 73,276</u>	<u>\$ 87,191</u>	<u>\$ 105,427</u>	<u>\$ 617,471</u>	<u>\$ 636,074</u>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 79,729	\$ 87,471	\$ 93,712	\$ 77,764	\$ 76,141	\$ 92,152
Restricted	12,430	17,148	15,760	33,771	31,572	27,158
Unrestricted	9,033	7,894	14,308	18,922	23,828	24,823
Total business-type activities net assets	<u>\$ 101,192</u>	<u>\$ 112,513</u>	<u>\$ 123,780</u>	<u>\$ 130,457</u>	<u>\$ 131,541</u>	<u>\$ 144,133</u>
<b>Primary government</b>						
Invested in capital assets, net of related debt	\$ 74,809	\$ 64,223	\$ 85,885	\$ 86,831	\$ 579,145	\$ 595,666
Restricted	43,751	69,942	59,738	58,551	49,735	40,960
Unrestricted	50,793	51,624	65,348	90,502	120,132	143,581
Total primary government net assets	<u>\$ 169,353</u>	<u>\$ 185,789</u>	<u>\$ 210,971</u>	<u>\$ 235,884</u>	<u>\$ 749,012</u>	<u>\$ 780,207</u>

Note:

<sup>1</sup> The significant increase in invested in capital assets, net of related debt for fiscal year 2006 is due to the capitalization of infrastructure prior to fiscal year 2002 under the transition provisions of GASB Statement 34.

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>Expenses</b>						
Governmental activities:						
General government	\$ 67,760	\$ 71,673	\$ 96,371	\$ 87,744	\$ 98,704	\$ 99,822
Public safety	33,519	35,779	39,821	41,700	43,839	46,315
Highways and streets	2,319	2,170	2,302	2,665	9,943	14,658
Sanitation	2,023	1,861	2,370	2,589	2,346	2,867
Health	3,020	2,843	3,072	2,929	2,900	3,125
Human Services	21,439	23,313	24,905	25,438	28,578	28,535
Culture and recreation	10,781	11,280	13,104	16,257	15,820	16,368
Education (payment to school district)	51,905	52,588	54,321	56,362	59,929	62,211
Education and educational services	3,488	3,339	3,473	3,541	4,464	6,519
Capital improvements	8,923	10,358	7,976	11,232		
Interest on long-term debt	8,172	9,817	7,911	7,616	9,723	8,822
Total governmental activities expenses	<u>213,349</u>	<u>225,021</u>	<u>255,626</u>	<u>258,073</u>	<u>276,246</u>	<u>289,242</u>
Business-type activities						
Culture and recreation	16,501	19,131	17,894	24,115	30,344	31,799
Sanitation	12,817	12,962	13,499	13,426	14,415	19,479
Housing	20,429	20,483	22,149	24,465	23,433	24,013
Total business-type activities expenses	<u>49,747</u>	<u>52,576</u>	<u>53,542</u>	<u>62,006</u>	<u>68,192</u>	<u>75,291</u>
Total primary government expenses	<u>\$ 263,096</u>	<u>\$ 277,597</u>	<u>\$ 309,168</u>	<u>\$ 320,079</u>	<u>\$ 344,438</u>	<u>\$ 364,533</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
General government	\$ 1,622	\$ 2,204	\$ 2,414	\$ 3,737	\$ 6,250	\$ 6,581
Public safety	1,981	1,608	1,872	3,157	2,361	2,770
Sanitation	9,344	9,635	10,015	10,530	9,459	3,836
Other activities	3,018	3,405	4,413	5,646	8,328	5,359
Operating grants and contributions	49,001	52,186	76,555	57,388	63,468	60,782
Capital grants and contributions	24			9,355	12,590	10,066
Total governmental activities program revenues	<u>64,990</u>	<u>69,038</u>	<u>95,269</u>	<u>89,813</u>	<u>102,456</u>	<u>89,394</u>
Business-type activities						
Charges for services:						
Culture and recreation	11,862	14,289	11,923	16,445	14,059	15,970
Sanitation	10,870	10,819	13,728	15,657	15,719	21,104
Housing	2,156	1,880	1,934	1,921	1,975	2,122
Operating grants and contributions	14,376	16,890	19,109	21,136	22,990	24,859
Capital grants and contributions	2,739	5,558	2,068	2,604	2,572	6,049
Total business-type activities program revenues	<u>42,003</u>	<u>49,436</u>	<u>48,762</u>	<u>57,763</u>	<u>57,315</u>	<u>70,104</u>
Total primary government program revenues	<u>\$ 106,993</u>	<u>\$ 118,474</u>	<u>\$ 144,031</u>	<u>\$ 147,576</u>	<u>\$ 159,771</u>	<u>\$ 159,498</u>
<b>Net (expenses)/revenue</b>						
Governmental activities	\$(148,359)	\$(155,983)	\$(160,357)	\$(168,260)	\$(173,790)	\$(199,848)
Business-type activities	(7,744)	(3,140)	(4,780)	(4,243)	(10,877)	(5,187)
Total primary government net (expenses)/revenue	<u>\$(156,103)</u>	<u>\$(159,123)</u>	<u>\$(165,137)</u>	<u>\$(172,503)</u>	<u>\$(184,667)</u>	<u>\$(205,035)</u>

Table II

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Taxes						
Property taxes	\$ 105,009	\$ 110,700	\$ 116,385	\$ 123,937	\$ 138,079	\$ 148,851
Sales taxes	11,728	11,383	12,218	12,885	13,415	13,804
Lodging, meal and amusement taxes	14,949	15,280	16,373	17,351	17,547	17,864
Motor vehicle taxes	2,825	3,142	3,171	3,232	3,290	3,602
Alcoholic beverage taxes	604	341	362	176	176	176
Business license taxes	9,465	9,572	10,435	11,019	11,750	12,391
Utility taxes	10,155	9,940	11,652	10,957	11,637	8,550
Tobacco taxes	2,456	2,952	4,567	4,084	3,889	3,942
Emergency 911 telephone taxes	2,193	2,132	2,160	2,077	2,034	956
Recordation taxes	638	782	930	1,640	2,656	2,658
Bank stock taxes	356	299	304	306	358	309
Pari-mutuel license taxes	110	115	120	123	113	113
Short-term rental taxes	135	91	97	109	126	136
Franchise license taxes	1,235	1,203	1,230	1,260	1,315	1,341
Communications sales tax						3,189
Mobile home titling tax	23	12	18	21	18	39
Investment earning	3,722	2,827	1,102	2,286	6,694	8,328
Miscellaneous	(670)	(1,593)	261	2,009	661	4,421
Transfers	(9,567)	(8,897)	(7,214)	(6,820)	(8,378)	(8,318)
Special Item - gain (loss) on disposal on assets	(788)	(1,925)	(608)	(157)		
Special Item - donated property	786	2,775	710			
Total governmental activities	<u>155,364</u>	<u>161,131</u>	<u>174,273</u>	<u>186,495</u>	<u>205,380</u>	<u>222,352</u>
Business-type activities:						
Investment earning	635	553	383	694	1,783	2,603
Gain(loss) on disposal of assets	(87)	(684)	1,248	696		
Miscellaneous	5,309	5,696	7,201	2,711	1,800	2,891
Transfers	9,567	8,897	7,214	6,820	8,378	8,318
Total business-type activities	<u>15,424</u>	<u>14,462</u>	<u>16,046</u>	<u>10,921</u>	<u>11,961</u>	<u>13,812</u>
Total primary government	<u>\$ 170,788</u>	<u>\$ 175,593</u>	<u>\$ 190,319</u>	<u>\$ 197,416</u>	<u>\$ 217,341</u>	<u>\$ 236,164</u>
<b>Changes in Net Assets</b>						
Governmental activities	\$ 7,005	\$ 5,148	\$ 13,916	\$ 18,235	\$ 31,590	\$ 22,504
Business-type activities	<u>7,680</u>	<u>11,322</u>	<u>11,266</u>	<u>6,678</u>	<u>1,084</u>	<u>8,625</u>
Total primary government	<u>\$ 14,685</u>	<u>\$ 16,470</u>	<u>\$ 25,182</u>	<u>\$ 24,913</u>	<u>\$ 32,674</u>	<u>\$ 31,129</u>

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund										
Reserved	\$ 2,209	\$ 2,041	\$ 1,242	\$ 1,161	\$ 1,502	\$ 1,248	\$ 1,819	\$ 1,563	\$ 1,235	\$ 1,727
Unreserved	31,595	25,735	23,881	27,283	32,122	37,504	42,706	53,175	68,394	82,015
Total general fund	<u>\$ 33,804</u>	<u>\$ 27,776</u>	<u>\$ 25,123</u>	<u>\$ 28,444</u>	<u>\$ 33,624</u>	<u>\$ 38,752</u>	<u>\$ 44,525</u>	<u>\$ 54,738</u>	<u>\$ 69,629</u>	<u>\$ 83,742</u>
All other governmental funds										
Reserved	\$ 23,307	\$ 20,438	\$ 11,741	\$ 12,071	\$ 12,443	\$ 12,811	\$ 12,199	\$ 11,826	\$ 11,773	\$ 7,760
Unreserved, reported in:										
Special revenue funds	7,203	8,159	8,095	7,474	9,781	11,723	10,226	9,440	13,888	12,659
Capital projects funds	15,921	11,024	45,104	36,793	41,154	32,367	22,245	76,004	61,220	83,790
Permanent funds	-	-	-	-	58	59	59	60	61	63
Total all other governmental funds	<u>\$ 46,431</u>	<u>\$ 39,621</u>	<u>\$ 64,940</u>	<u>\$ 56,338</u>	<u>\$ 63,436</u>	<u>\$ 56,960</u>	<u>\$ 44,729</u>	<u>\$ 97,330</u>	<u>\$ 86,942</u>	<u>\$ 104,272</u>

Note: For fiscal years 1997 through 2001, the Permanent fund was reported as a part of the Fiduciary fund statements.



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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>Revenues</b>						
Taxes (see table V)	\$ 157,587	\$ 163,882	\$ 175,923	\$ 185,090	\$ 206,706	\$ 216,313
Intergovernmental revenues	41,167	43,463	67,984	58,021	56,585	55,427
Licenses and permits	1,464	1,448	1,662	1,651	1,686	2,030
Fines and forfeitures	1,124	1,300	1,638	2,211	2,088	2,142
Revenue from use of money and property	3,971	3,282	1,640	4,037	7,975	10,355
Charges for services	5,586	5,916	6,776	9,192	9,907	9,812
Miscellaneous	4,918	6,973	6,033	6,494	10,799	7,891
Recovered costs	8,288	9,618	9,484	9,406	9,834	10,558
Total revenues	<u>224,105</u>	<u>235,882</u>	<u>271,140</u>	<u>276,102</u>	<u>305,580</u>	<u>314,528</u>
<b>Expenditures</b>						
General government	59,749	62,179	88,538	75,711	82,671	87,791
Public safety	34,439	35,203	39,186	40,951	43,709	46,024
Highways and streets	2,289	2,157	2,211	2,454	2,587	2,405
Sanitation	1,996	1,861	2,370	2,589	2,346	2,883
Health	2,993	2,830	3,060	2,904	2,874	3,118
Social services	21,351	23,213	24,836	25,390	28,577	28,491
Culture and recreation	10,199	11,214	12,999	14,606	14,742	14,196
Education (payment to school district)	58,662	59,768	57,752	61,085	59,928	62,211
Education	2,139	2,065	2,147	2,252	2,295	2,314
Capital improvements	24,289	16,775	18,058	26,195	31,332	27,460
Debt service						
Principal	16,307	10,892	11,606	19,393	11,938	24,443
Interest and fiscal charges	8,028	8,873	8,255	7,545	9,701	9,348
Total expenditures	<u>242,441</u>	<u>237,030</u>	<u>271,018</u>	<u>281,075</u>	<u>292,700</u>	<u>310,684</u>
Excess of revenues over (under) expenditures	<u>(18,336)</u>	<u>(1,148)</u>	<u>122</u>	<u>(4,973)</u>	<u>12,880</u>	<u>3,844</u>
<b>Other financing sources (uses)</b>						
Debt issuance and capital leases	37,143	7,503	-	73,895	350	29,540
Proceeds from refunding bonds issued	-	19,319	-	30,367	-	-
Payment to refunded bond escrow agent	-	(19,218)	-	(30,236)	(350)	-
Payment to escrow agent	-	-	-	-	-	-
Transfers in	30,159	29,370	32,285	27,269	30,965	39,652
Transfers in from component units	1,094	91	634	580	-	-
Transfers out	(38,378)	(37,266)	(39,499)	(34,088)	(39,343)	(47,854)
Total other financing source (uses)	<u>30,018</u>	<u>(201)</u>	<u>(6,580)</u>	<u>67,787</u>	<u>(8,378)</u>	<u>21,338</u>
Net change in fund balances	<u>\$ 11,682</u>	<u>\$ (1,349)</u>	<u>\$ (6,458)</u>	<u>\$ 62,814</u>	<u>\$ 4,502</u>	<u>\$ 25,182</u>
Debt service as a percentage of noncapital expenditures	14.9%	12.0%	9.8%	13.2%	7.9%	11.9%

**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		Sales Taxes	Utility Taxes	Tobacco Taxes	Communications		Meal Taxes	Other Taxes <sup>3</sup>	Total
	Property Taxes	Business Licenses				Sales Taxes	Meal Taxes			
1998	\$ 86,457	\$ 7,659	\$ 11,906	\$ 8,661	\$ 2,610	\$ -	\$ 6,409	\$ 5,614	\$ 129,316	
1999	88,117	7,785	12,145	8,857	2,413		6,739	6,372	132,428	
2000	91,936	8,122	12,099	9,027	2,382		6,832	6,667	137,065	
2001	96,755	8,873	11,422	9,897	2,772		8,575	7,611	145,905	
2002	105,009	9,465	11,728	10,156	2,456		10,325	8,448	157,587	
2003	110,700	9,572	11,383	9,941	2,952		10,470	8,864	163,882	
2004	116,385	10,435	12,218	11,652	4,567		11,325	9,341	175,923	
2005	123,709	11,019	12,885	10,957	4,084		12,449	9,987	185,090	
2006	139,280	11,751	13,415	11,637	3,889		13,426 <sup>2</sup>	13,308 <sup>2</sup>	206,706	
2007	148,237 <sup>1</sup>	12,391	13,804	8,550	3,942	3,189	13,685	10,677	214,475	

## Notes:

<sup>1</sup> The City was able to lower the real estate tax rate from \$1.20 per \$100 assessed value in 2006 to \$1.14 per \$100 assessed value in 2007 due to significant growth in assessments.

<sup>2</sup> Meal and lodging tax rates were increased from 4.5% and 5.5%, respectively, in fiscal year 2002 to 6.5% and 8.0%, respectively. The additional 2% increase in the meal and lodging tax rates are dedicated to the operation of the City's Convention Center.

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

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

Fiscal Year	Real Estate				Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percent of Estimated Actual Value <sup>2</sup>	Total Direct Tax Rate
	Citizens' Property	Public Service <sup>1</sup>	Newport News Waterworks					
1998	\$4,749,616	\$ 168,661	\$ 43,563		\$4,961,840	\$ 5,057,941	98%	1.25
1999	4,840,618	184,456	48,954		5,074,028	5,290,957	96%	1.25
2000	4,984,196	180,111	49,852		5,214,159	5,471,310	96%	1.25
2001	5,157,140	198,396	51,822		5,407,358	5,740,295	95%	1.25
2002	5,361,262	195,595	53,494		5,610,351	6,144,963	92%	1.27
2003	5,638,936	184,567	57,472		5,880,975	6,563,588	90%	1.27
2004	6,081,667	190,105	58,621		6,330,393	7,360,922	87%	1.27
2005	6,776,586	180,476	60,381		7,017,443	8,771,803	80%	1.25
2006	8,165,513	116,579	63,400		8,345,492	10,431,864	80%	1.20
2007	9,285,102	123,453	66,570		9,475,125	11,843,906	80%	1.14

## 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.

<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 80.4%.

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

<u>Taxpayer</u>	<u>2007</u>			<u>1998</u>		
	<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Peninsula Town Center LLC	\$ 55,078	1	0.6%	\$ -		
John Q Hammons	40,837	2	0.4%			
Hampton Center LLC	38,286	3	0.4%			
FCLA LP	35,840	4	0.4%			
BIR Lakeridge LLC	34,643	5	0.4%			
Hampon Institute	29,153	6	0.3%			
Hampton Training School Nurses	28,645	7	0.3%			
Cambridge Apartments LC	27,767	8	0.3%			
Riverdale Apartments LLC	27,542	9	0.3%	17,901	5	0.4%
Coliseum Crossing Associates LP	27,128	10	0.3%			
Hampton Mall Association				57,415	1	1.2%
Gateway 2000				20,077	2	0.4%
Riverdale Plaza Shopping Center				19,283	3	0.4%
HNN Associates				18,697	4	0.4%
Olde Hampton Hotel Associates				14,350	6	0.3%
Armada/Hoffler-Hpt Centre Association				13,494	7	0.3%
Cornerstone Realty				12,740	8	0.3%
Mercury Mall Associates				12,142	9	0.2%
Howmet Corporation				12,055	10	0.2%
	<u>\$ 344,919</u>		<u>3.7%</u>	<u>\$ 198,154</u>		<u>4.1%</u>

Source: City of Hampton, Office of the Assessor

**CITY OF HAMPTON, VIRGINIA**  
**REAL ESTATE TAX LEVIES AND COLLECTIONS**  
**Last Five Fiscal Years <sup>1</sup>**  
**(amounts expressed in thousands)**

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount <sup>2</sup></b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2003	\$ 72,358	\$ 70,753	97.78%	\$ 3,017	\$ 73,770	101.95%
2004	77,980	76,173	97.68%	2,979	79,152	101.50%
2005	87,718	84,572	96.41%	1,708	86,280	98.36%
2006	100,146	97,737	97.59%	1,590	99,327	99.18%
2007	108,016	105,373	97.55%	1,477	106,850	98.92%

Notes:

<sup>1</sup> Based on the availability of data and the implementation of GASB Statement 34, five fiscal years are presented.

<sup>2</sup> Amount includes penalties. A 10% penalty is added if taxes are paid after June 5th and December 5th.

\* 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		
	General Obligation Bonds <sup>2</sup>	Notes Payable	State Literary Loans	Total	Taxable Value of Property <sup>3</sup>	Per Capita <sup>4</sup>	Capital Leases
1998	\$ 120,230	\$ 3,137	\$ 2,645	\$ 126,012	2.49%	\$ 923.16	\$ 2,021
1999	116,176	2,761	2,457	121,394	2.29%	889.33	1,561
2000	155,329	5,412	2,269	163,010	2.98%	1,194.21	1,163
2001	146,851	5,036	2,081	153,968	2.68%	1,051.43	886
2002	168,057	3,007	1,893	172,957	2.81%	1,174.18	2,234
2003	165,124	4,054	1,704	170,882	2.60%	1,176.87	2,109
2004	154,079	1,988	1,517	157,584	2.14%	1,091.30	1,973
2005	209,490	1,590	1,328	212,408	2.42%	1,487.45	3,831
2006	198,045	1,192	1,140	200,377	1.92%	1,377.16	1,295
2007	203,635	886	952	205,473	1.49%	1,410.17	1,730

Fiscal Year	Business-Type Activities					Total	Percentage of	Per Capita <sup>4</sup>
	Revenue Bonds	Notes Payable	Capital Leases	HRHA Bonds	HRHA Notes Payable	Primary Government	Personal Income <sup>4</sup>	
1998	\$ 21,800	\$ -	\$ 2,021	\$ 3,835	\$ 20,188	\$ 175,877	6.45%	\$ 1,288.48
1999	20,900		1,844	3,370	19,959	169,028	5.13%	1,238.30
2000	19,980		1,793		5,168	191,114	5.45%	1,400.10
2001	18,945	7,585	1,729		5,127	188,240	5.11%	1,285.47
2002	17,855	7,585	1,703		3,113	205,447	5.32%	1,394.75
2003	123,025		1,747		1,160	298,923	7.44%	2,058.70
2004	121,435		1,611		10,810	293,413	6.89%	2,031.95
2005	120,060		1,497		1,062	338,858	8.52%	2,372.96
2006	118,715		1,379		971	322,737	N/A	2,218.12
2007	117,300		1,250		870	326,623	N/A	2,241.63

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 exclude the unamortized premiums and deferred amounts for advance refunding.<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 2005.

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 496,184	\$ 507,403	\$ 521,416	\$ 540,736	\$ 561,035	\$ 588,097	\$ 633,039	\$ 701,744	\$ 834,549	\$ 947,512
Total net debt applicable to limit	<u>126,012</u>	<u>121,394</u>	<u>163,010</u>	<u>153,968</u>	<u>172,957</u>	<u>170,882</u>	<u>157,584</u>	<u>212,408</u>	<u>200,377</u>	<u>205,473</u>
Legal debt margin	<u>\$ 370,172</u>	<u>\$ 386,009</u>	<u>\$ 358,406</u>	<u>\$ 386,768</u>	<u>\$ 388,078</u>	<u>\$ 417,215</u>	<u>\$ 475,455</u>	<u>\$ 489,336</u>	<u>\$ 634,172</u>	<u>\$ 742,039</u>
Total net debt applicable to the limit as a percentage of debt limit	25.40%	23.92%	31.26%	28.47%	30.83%	29.06%	24.89%	30.27%	24.01%	21.69%

**Legal Debt Margin Calculation for Current Fiscal Year:**

Assessed value	\$9,475,125
Debt limit (10% of total assessed value)	947,512
Debt applicable to limit:	
General obligation debt	205,473
Less: Amount set aside for repayment of general obligation debt	<u>205,473</u>
Total net debt applicable to limit	<u>205,473</u>
Legal debt margin	<u>\$ 742,039</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 contracts, accrued sick, annual leave and net pension obligation totaling \$12,832,171 at June 30, 2007.

\* 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 <sup>1</sup>	Operating Expenses <sup>2</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>3</sup>			Coverage
				Principal	Interest	Total	
<b>The Hamptons Revenue Bonds</b>							
1998	\$ 1,214	\$ 977	237	\$ 120	\$ 247	\$ 367	0.65
1999	1,351	829	522	130	240	370	1.41
2000	1,327	844	483	140	135	275	1.76
2001	1,335	892	443	175	174	349	1.27
2002	1,564	947	617	185	164	349	1.77
2003	1,294	898	396	195	153	348	1.14
2004	1,291	995	296	200	141	341	0.87
2005	1,395	1,012	383	210	129	339	1.12
2006	1,567	1,074	493	215	116	331	1.49
2007	1,571	1,090	481	230	103	333	1.44
<b>Museum Revenue Bonds</b>							
1998	\$ 5,680	\$ 3,508	2,172	\$ 725	\$ 1,011	\$ 1,736	1.25
1999	6,110	3,827	2,283	770	966	1,736	1.32
2000	5,374	4,152	1,222	825	917	1,742	0.70
2001	6,190	4,366	1,824	860	878	1,738	1.05
2002	7,108	4,270	2,838	905	839	1,744	1.63
2003	9,336	4,645	4,691	940	798	1,738	2.70
2004	10,924	5,136	5,788	990	798	1,788	3.24
2005	6,767	5,450	1,317	1,165	428	1,593	0.83
2006	7,820	5,155	2,665	1,130	460	1,590	1.68
2007	9,682	5,729	3,953	1,185	403	1,588	2.49
<b>Industrial Development Authority Revenue Bonds</b>							
1998	\$ 1,676	\$ 1,686	\$ (10)	\$ 6	\$ 116	\$ 122	(0.08)
1999	2,312	3,041	(729)	41	125	166	(4.41)
2000	4,081	7,841	(3,760)	44	122	166	(22.72)
2001	959	603	356	47	118	165	2.15
2002	9,442	3,633	5,809	35	458	493	11.78
2003	8,287	6,740	1,547	211	784	995	1.55
2004	5,098	1,588	3,510	385	771	1,156	3.04
2005	5,944	4,298	1,646	410	750	1,160	1.42
2006	8,890	4,946	3,944	432	719	1,151	3.43
2007	5,007	4,420	587	392	693	1,085	0.54
<b>Convention Center Revenue Bonds <sup>4</sup></b>							
2005	\$ 6,174	\$ 1,211	\$ 4,963	\$ -	\$ 5,360	5,360	0.93
2006	8,775	3,660	5,115		5,368	5,368	0.95
2007	9,288	2,993	6,295		5,363	5,363	1.17

## Notes:

<sup>1</sup> Gross revenues include transfers in.

<sup>2</sup> Total operating expenses exclusive of depreciation.

<sup>3</sup> Includes principal and interest of revenue bonds only.

<sup>4</sup> Operation of the Convention Center began in March 2005.



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

<b>Fiscal Year</b>	<b>Population <sup>1</sup></b>	<b>Personal Income <sup>2</sup> (in thousands)</b>	<b>Per Capita Income <sup>3</sup></b>	<b>School Membership <sup>4</sup></b>	<b>Unemployment Rate Percentage <sup>5</sup></b>
1998	136,500	\$ 2,726,315	\$ 19,973	23,510	4.8%
1999	136,500	3,296,910	22,653	23,431	4.3%
2000	136,500	3,504,802	23,945	23,431	3.6%
2001	146,437	3,685,677	25,401	23,290	3.6%
2002	147,300	3,861,000	26,664	23,192	5.1%
2003	145,200	4,018,000	27,628	22,996	5.4%
2004	144,400	4,261,000	29,388	23,009	5.2%
2005	142,800	3,976,299	30,389	22,938	4.6%
2006	145,500	N/A	N/A	22,229	4.2%
2007	145,708	N/A	N/A	22,176	3.6%

## Notes:

<sup>1</sup> Source: Weldon Cooper Center for Public Service

<sup>2</sup> Source: Bureau of Economic Analysis. Most recent information available is 2005.

<sup>3</sup> Source: U.S. Census Bureau. Most recent information available is 2005.

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

<sup>5</sup> Source: LAUS Unit and Bureau of Labor Statistics

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

2007	1998
<b>Over 600 Employees:</b>	<b>Over 500 Employees:</b>
Air Force Command and Control Intelligence, Surveillance, and Reconnaissance Center	Bell Atlantic Plus
Alcoa Howmet	City of Hampton
City of Hampton	Fort Monroe
Fort Monroe	Gateway 2000
Hampton City Schools	Hampton City Schools
Hampton University	Hampton University
Hampton Virginia Medical Center - Veteran's Hospital	Howmet Corporation
Langley Air Force Base	Langley Air Force Base
NASA Langley Research Center	Lucus Control Systems Products
Sentara Healthcare System	NASA - Langley
Sprint-Nextel	Newport News, Inc.
Thomas Nelson Community College	Sentara Hampton General Hospital
Verizon	V.A. Hospital
West Corporation	West Telemarketing
<b>300 - 599 Employees:</b>	<b>150 - 499 Employees:</b>
AMSEC LLC	Anthem Alliance
Headway Corporate Resources	Computer Sciences Corporation
Northrop Grumman	General Electric Capital
Raytheon	Lockheed Corporation
Riverside Regional Medical Centers	Virginia Power
SAIC	Wagner Lighting
Teletech	

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 Six Fiscal Years**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>Function</b>						
Governmental activities						
General government	547	534	541	581	588	588
Public Safety	620	620	648	663	686	695
Highway and streets	30	26	29	30	31	30
Sanitation	34	35	35	31	35	41
Health	27	25	29	24	23	24
Human services	263	266	254	249	237	242
Culture and recreation	149	151	171	176	173	172
Total governmental activities	<u>1,670</u>	<u>1,657</u>	<u>1,707</u>	<u>1,754</u>	<u>1,773</u>	<u>1,792</u>
Business-type activities						
Culture and recreation	47	44	44	70	43	45
Sanitation	145	149	151	150	154	152
Housing	74	74	75	71	68	68
Total business-type activities	<u>266</u>	<u>267</u>	<u>270</u>	<u>291</u>	<u>265</u>	<u>265</u>
Total	<u>1,936</u>	<u>1,924</u>	<u>1,977</u>	<u>2,045</u>	<u>2,038</u>	<u>2,057</u>

Sources: City of Hampton, Department of Human Resources and Hampton Redevelopment & Housing Authority,  
Department of Human Resources.

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

Function/Program	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General government						
Building permits issued <sup>1</sup>	3,104	3,611	3,742	3,547	3,342	1,926
Building inspections conducted	8,546	8,705	9,158	9,267	9,500	9,349
311 customer call center						
Number of calls received	N/A	265,867	307,034	288,155	290,000	242,158
Public safety						
Police						
Physical arrests	17,899	17,578	19,015	19,727	19,638	19,788
Traffic summons	25,576	23,363	32,525	40,653	33,664	34,011
Fire						
Emergency responses	20,458	21,351	19,645	19,840	22,641	21,592
Fires extinguished	428	352	367	319	689	332
Patients transported	7,421	8,345	10,283	10,517	10,730	7,678
Code inspections	N/A	139	103	218	335	740
Highway and streets						
Roads paved or resurfaced (miles)	N/A	20.9	24	20	15.17	15.11
Sanitation						
Yard waste collected (tons)	15,000	15,000	15,000	16,000	14,000	13,000
Debris removed (tons)	78,000	80,000	73,600	72,245	70,000	84,000
Cleanups <sup>2</sup>	255	237	272	267	416	417
Street sweeping	4,500	4,500	4,500	4,500	4,500	3,060
Storm drains cleaned (linear feet) <sup>2</sup>	56,065	101,161	108,533	103,989	104,962	99,913
Health						
Preventive health						
Family practice visits	6,057	5,905	3,223	4,217	4,000	3,522
Immunization visits	6,584	5,991	5,694	6,943	6,500	6,201
Prescriptions filled	32,789	35,273	33,125	35,454	35,000	34,296
Human services						
Healthy families partnership						
Number of families assessed	656	602	553	611	613	610
Number of families served	1,271	985	973	855	790	1,183
Number of adult participants in the parenting classes	1,232	1,175	1,469	1,733	1,500	1,602
Social Services						
Food stamp participants	N/A	4,227	4,860	5,318	5,850	5,384
Culture and recreation						
Senior citizens attendance at Senior Center	N/A	33,941	26,278	25,645	26,414	27,338
Community center admissions						
Youth	107,830	138,071	160,555	66,975	57,663 <sup>2</sup>	60,602
Teen	83,573	95,079	99,043	103,995	72,428 <sup>2</sup>	65,888
Adult	87,966	57,681	63,904	69,655	75,500	79,124
Education						
School membership (total)	23,192	22,996	23,009	22,938	22,229	22,176
High schools	6,699	6,634	6,775	6,883	6,914	6,657
Middle schools	5,870	5,805	5,709	5,680	5,450	5,433
Elementary schools	10,623	10,557	10,525	10,375	9,865	10,086
School board personnel	2,763	2,763	2,841	2,903	2,906	2,902
Wastewater						
Average daily sewage treatment (thousands of gallons) <sup>2</sup>	11,901	11,601	11,691	11,610	11,604	11,600

## Notes:

<sup>1</sup> Building permits are issued on a calendar basis; therefore, only January through June 2007 is reported for the current fiscal year. Also, the prior year has been updated to include building permits issued July through December 2006.

<sup>2</sup> Estimated information reported for fiscal years 2002 through 2006 has been updated with actual information.

Source: City of Hampton, various departments.

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

Function/Program	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Public safety						
Police						
Patrol units	220	227	227	227	227	246
Patrol boats	2	3	3	3	3	4
Fire						
Stations	10	10	10	10	10	10
Pumpers	19	19	19	19	19	19
Ambulances	18	18	18	18	18	17
Rescue vehicles	3	3	3	3	3	3
Ladder trucks	2	2	2	2	2	2
Highways and streets						
Streets (miles)	432.36	435.35	435.35	437.68	437.68	439.08
Traffic signals	161	161	163	174	177	177
Bridges	39	40	41	41	41	41
Sanitation/solid waste						
Collection trucks	44	44	44	44	44	43
Culture and recreation						
Parks acreage <sup>1</sup>	1575	1575	1628	1628	1628	1789
School parks acreage	675	675	675	675	675	675
Parks	17	17	17	23	23	23
Amphitheater	1	1	1	1	1	2
Baseball fields	38	38	38	38	38	38
Basketball courts	35	35	35	35	35	35
Boat ramps	3	3	3	3	3	3
Coliseum	1	1	1	1	1	1
Community centers	4	4	5	5	5	5
Convention center	0	0	0	1	1	1
Fitness trails	N/A	N/A	N/A	12	12	12
Football fields	20	20	20	20	20	20
Football stadium	1	1	1	1	1	1
Golf courses	2	2	2	2	2	2
Indoor swimming pools	1	1	1	1	1	1
Municipal beaches	3	3	3	3	3	3
Municipal parks	N/A	N/A	N/A	10	10	10
Museums	2	2	2	2	2	2
Outreach centers	4	4	4	4	4	4
Picnic shelters	28	28	28	28	28	26
Playgrounds	41	41	41	41	41	41
Senior citizens center	1	1	1	1	1	1
Soccer fields	28	28	28	28	28	30
Softball fields	15	15	15	15	15	16
Tennis courts	66	66	66	66	66	66
Theatres	1	1	1	1	1	1
Fort Wool	1	1	1	1	1	1
Education						
High schools	4	4	4	4	4	4
Middle schools	6	6	6	6	6	6
Elementary schools	24	24	24	24	24	23
Wastewater						
Sanitary sewers lines (miles)	460	465	468	471	465	482
Sewer Pumping stations	102	103	104	105	107	107

Notes:

<sup>1</sup> Park land currently developed.

Source: Various city departments.

# FINANCIAL COMPLIANCE REPORTS FOR FEDERAL FUNDS





***REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133***

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

***Compliance***

We have audited the compliance of the City of Hampton, Virginia (the "City") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's financial statements include the operations of the Hampton Redevelopment and Housing Authority (the "Authority"), which expended \$22,194,672 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2007. Our audit did not include the operations of the Authority because the Authority engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

### *Internal Control Over Compliance*

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the City Council, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Bekant & Holland, L.L.P.*

Virginia Beach, Virginia  
December 7, 2007





**REPORT 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***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Hampton, Virginia (City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 7, 2007. 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. We did not audit the financial statements of the Hampton Redevelopment and Housing Authority as of December 31, 2006, which is reported as a major fund and represents 19.0% and 15.3%, respectively of the assets and revenues of the business-type activities. Additionally, we did not audit the financial statements of the Downtown Hampton Development Partnership, Inc., the Healthy Families Partnership, Inc., or the Foundation of the Virginia Air and Space Center, which represents 3.4% and 1.1%, respectively, of the total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Hampton Redevelopment and Housing Authority, the Downtown Hampton Development Partnership, Inc., the Healthy Families Partnership, Inc., and the Foundation of the Virginia Air and Space Center, are based on the report of the other auditors.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider deficiencies 2007-1 and 2007-2 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider deficiencies 2007-1 and 2007-2 in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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*.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Bekant & Holland, L.L.P.*

Virginia Beach, Virginia  
December 7, 2007



***INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS,  
CONTRACTS AND GRANTS***

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

We have audited the financial statements of the City of Hampton, Virginia (the "City"), as of and for the year ended June 30, 2007, and have issued our report thereon dated December 7, 2007.

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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions, and, accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest Act
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property Act

State Agency Requirements

- Education
- Highway Maintenance Funds
- Social Services
- Comprehensive Services Act Funds

The results of our tests disclosed no instances of material noncompliance with the provisions referred to in the preceding paragraph.

This report is intended solely for the information of City Council, management, the Auditor of Public Accounts and applicable state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry Bekaert & Holland, L.L.P.*

Virginia Beach, Virginia

December 7, 2007

CITY OF HAMPTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Year Ended June 30, 2007

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1. SUMMARY OF AUDITORS' RESULTS

- (a) The type of report issued on the basic financial statements: **Unqualified opinions**
- (b) Significant deficiencies in internal control were disclosed by the auditors of the financial statements:  
**Yes**
- (c) Noncompliance which is material to the basic financial statements: **No**
- (d) Significant deficiencies in internal control over major programs: **No**  
  
Material weaknesses: **No**
- (e) The type of report issued on compliance for major programs: **Unqualified opinion**
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **No**
- (g) Major Programs:
  - Department of Agriculture -- Child Nutrition Cluster; CFDA 10.553/10.555/10.556/10.559
  - Department of Agriculture -- Food Stamp Cluster; CFDA 10.561
  - Department of Housing and Urban Development -- Community Development Block Grant; CFDA 14.218
  - National Aeronautics and Space Administration -- Steam Plant Agreement; CFDA 43.XXX
  - Department of Education -- Infants and Toddlers; CFDA 84.181
  - Department of Health and Human Services -- Medical Assistance Program; CFDA 93.778
- a) The dollar threshold used to distinguish between Type A and Type B programs is \$1,230,293.
- i) The auditee qualified as a low-risk auditee.

*CITY OF HAMPTON, VIRGINIA*

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

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Year Ended June 30, 2007

**2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

*2007-1 Internal Control over Financial Reporting*

***Criteria:***

Liabilities should be recorded for costs incurred but not disbursed during the period.

***Condition:***

While performing our audit procedures to ensure all accounts payable are properly identified and recorded at year end, we determined certain payables for school construction projects, which existed at June 30, 2007, were not included in the City's financial records.

***Cause:***

Personnel of the Hampton City Schools are responsible for supervising school construction projects and disbursing funds for payment of the related costs on behalf of the City. The School Division submits a copy of their check register as their request for reimbursement from the City. Because the School Division does not submit vendor invoices with the reimbursement request, the City was unable to determine when the goods or services were received.

***Effect:***

Accounts payable and capital expenditures were understated in the financial statements until the auditors informed the City and the City recorded the liability.

***Recommendation:***

We recommend Hampton City Schools provide copies of the vendor invoices along with the related check register for all requests for reimbursement from the City. This will allow the City to identify items to be included when financial statements are prepared.

***Management Response:***

The recommendation, as made by the auditors, is a change in practice from that which the City and Schools have always agreed to and followed; nonetheless, we understand and agree with the recommendations, and will implement the changes suggested. School personnel will coordinate with City personnel at year end to ensure that all necessary information has been provided and recorded for financial statement purposes.

CITY OF HAMPTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

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Year Ended June 30, 2007

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2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

*2007-2 Internal Control over Financial Reporting*

**Criteria:**

Claims payable reported in the financial statements should be fairly stated when compared with the estimated liability at year end.

**Condition:**

While performing our audit procedures to determine the amount reported as claims payable agreed with the estimated liability, we noted the amount in the financial system was approximately \$2 million lower than the estimate determined by the Risk Management department.

**Cause:**

The liability is summarized using a spreadsheet which includes a calculation to adjust the account balance at year end. This adjusting entry is calculated based on the difference between the prior year's and the current year's estimates as reflected on these spreadsheets. During fiscal 2007, two expenditures totaling \$2,046,084 were charged to the liability account. As a result, the balance of the account at year end was no longer equal to the prior year liability per the spreadsheet and, accordingly, the journal entry did not appropriately adjust the account balance to the new estimated liability.

**Effect:**

Claims payable and the related claims expense were understated in the financial statements until the City adjusted the liability.

**Recommendation:**

We recommend personnel responsible for adjusting the account compare the current estimate with the balance reflected in the City's financial records.

**Management Response:**

The city has established an effective internal control system over financial reporting. An Accountant is assigned to each fund and is responsible for monitoring the fund throughout the year, preparing monthly and annual financial statements, preparing the closing entries and the supporting schedules for the audit. All journal entries, financial statements and audit schedules prepared by the Accountant are reviewed and approved by the Controller or other designated staff member. As a part of the review process, the reviewer ensures that all supporting schedules agree with the books. In addition, as a part of the closing process, we prepare an analytical analysis to help us identify significant changes from the previous fiscal year and we investigate the nature of these changes. We believe that this error is an isolated incident and that the City's internal control system over financial reporting is working effectively. The City has a long-standing track record of maintaining accurate books and as a result, we have not been required to make any significant audit adjustments to our accounting records in the past. We will ensure that staff is properly trained on the closing procedures and process for all funds.

*CITY OF HAMPTON, VIRGINIA*

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)*

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Year Ended June 30, 2007

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**3. FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS PROGRAMS**

None

**4. FINDINGS AND QUESTIONED COSTS FOR STATE COMPLIANCE**

None



*CITY OF HAMPTON, VIRGINIA*

*SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS*

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**Year Ended June 30, 2007**

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2006 #1

Federal finding

Status: Completed

2006 #2

Federal finding

Status: Completed