



December 5, 2025

Honorable Mayor, Members of the City Council, and City Manager,

It is my pleasure, on the behalf of the City's Finance Department staff, to present the Annual Comprehensive Financial Report (ACFR) for the City of Hampton for the fiscal year ended June 30, 2025. The ACFR is organized in seven (4) major sections:

1. Introductory section (pages 1-23);
2. Financial section, including
 - a. Independent Auditor's Report (pages 26-28);
 - b. Management's Discussion & Analysis (pages 29-39)
 - c. Basic Financial Statements & Notes to the Financial Statements (pages 40-149)
 - d. Combining and Individual Financial Statements (pages 174-204)
 - e. Required Supplemental Information (pages 152-173);
3. Statistical Tables with historical financial data and demographic information about the City (pages 208-227);
4. Continuing Disclosures (pages 230-242).

The Single Audit, the audit of the City's federal awards and grants, and the Schedule of Expenditures of Federal Awards (SEFA) are not included in this year's ACFR. The 2025 Office of Management and Budget (OMB) Compliance Supplement, the guidance needed to complete the Single Audit and SEFA, was delayed and not issued until November 26, 2025. The Single Audit and SEFA will be completed and issued in a separate compliance report.

KEY SECTIONS TO REVIEW

- * **Financial policies** (page 20): Contain the actual results for compliance with the City's five (5) financial policies. We are in compliance with all financial policies.
- * **Independent Auditors' Opinion** (pages 26-28): The Auditors have issued an unmodified opinion, or "clean" opinion on the City's ACFR.
- **Management's Discussion and Analysis (MD&A)** (pages 29-39): A narrative introduction and analytical overview of the City's financial activities, similar to the analysis provided by publicly traded companies in their annual reports.
- * **Year-End Results of the General Fund** (pages 174-183): Contain the Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual,

Schedule of Revenues and Other Credits-Budget and Actual, and Schedule of Appropriations and Expenditures for the General Fund.

- * **Year-End Results of the Component Units** (pages 57-58): 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.

We reported the following component units in the ACFR: Hampton School Board, Coliseum Central Business Improvement District, Inc., the Downtown Hampton Development Partnership, Inc. and the Economic Development Authority.

- * **Schedule of Treasurer's Accountability**, (page 230), Reflects that cash and investments are in balance with the Treasurer's Office as of June 30, 2025.

KEY FINANCIAL RESULTS

General Fund

The City's General Fund finished the fiscal year with revenues exceeding expenditures (an increase in the overall bottom-line) by approximately \$18.4 million.

Actual revenues were \$23.6 million or 5.3% over budget (of which \$9 million was generated from one-time revenue sources). Significant contributions to the overall favorable increase to revenue include:

- **General Property Taxes**

For fiscal year 2025, actual revenues exceeded the budget by \$4.9 million. Most of this positive budget variance was driven by the collection of delinquent personal property taxes for 2024. Both current (levied for fiscal year 2025) real estate and personal property taxes finished the year with revenues exceeding the budget by \$0.4 million and \$1.1 million, respectively.

- **Other Local Taxes**

For this revenue category , which includes the major revenue sources of meal , sales , business license and lodging taxes, revenues of \$104. 9 million exceeded the budget by \$2.9 million. Business license , one of the strongest performers, finished the year with a performance of \$1.5 million exceeding the budget. While the other three major revenue sources experienced positive budget performance. License Tax Pari-Mutuel revenues exceeded the budget expectations by \$0.8 million.

- **Revenues from use of money and property**

Interest income from investments exceeded the budget by \$3.8 million. We historically have used a conservative approach to budgeting revenues from our investments. During fiscal year 2025, the Federal Reserve took a measured approach to lowering the federal reserve target interest rate and therefore the rate remained elevated for most of the fiscal year, returning favorable revenue results.

In early September 2024, we invested \$30 million into a 12-month certificate of deposit at a fixed rate. This investment generated a \$ 0.95 million return and allowed us to capitalize on the higher interest rate prior to the Federal Reserve's first rate reduction of the fiscal year.

– **Charges for Services**

Charges for services are fees we generate from our various programs and services . For fiscal year 2025, this revenue category generated revenues of \$13.2 million which exceeded the budget by \$2.3 million. The majority of the positive budget performance was driven by ambulance transport service revenues. Due to some billing issues with a third party vendor , some of the bills from fiscal year 2024 were billed and collected in fiscal year 2025.

– **Miscellaneous Revenues**

Miscellaneous revenues includes reimbursements from the Hampton Schools (i.e. School Resource Offices. operating cost for Ruppert Sargent Building , their share of operating cost for the joint procurement office), indirect cost reimbursements from other Funds, Opioid Abatement Settlement Funds and other revenues. For fiscal year 2025, miscellaneous revenues exceeded the budget by \$9.8 million. The City was a member of the Hampton Road's Regional Jail Authority (Authority). The Authority ceased operations in April 2024 and sold it's jail facility to the City of Portsmouth in October 2024. The City received \$8.1 million for its proportionate share of the sale of the jail facility. In addition, we received a .909 million check from HRT for service credits for fiscal years 2020 and 2022.

General Fund expenditures were very well aligned with budget, finishing the year at \$(5.8) million or (2)% under budget.

The unassigned fund balance increased by \$5.2 million to \$115.1 million. The unassigned fund balance represents 17% of actual revenues for the General and School Operating Funds, which exceeds the 10% policy threshold by 7%.

BUSINESS-TYPE ACTIVITIES

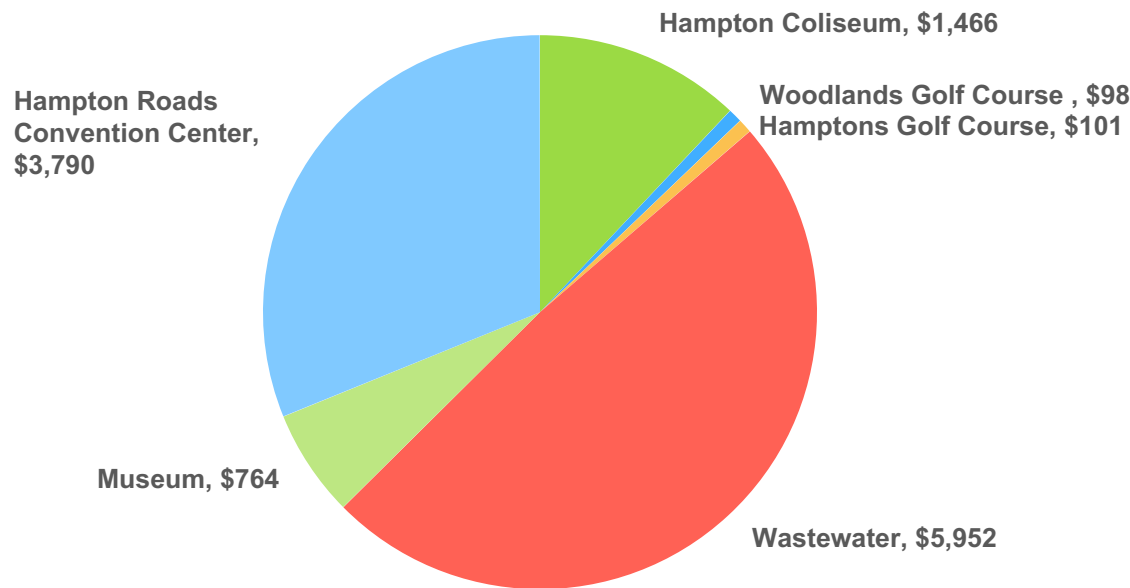
The City's business-type activities are made up of the following:

- Hampton Coliseum Fund, that includes -
 - Hampton Coliseum
 - Hampton Art Commission
 - Hampton Aquaplex
 - Charles H. Taylor Center;
- Hampton Road's Convention Center Fund
- Virginia Air & Space Center Fund (Museum)
- Wastewater Management Fund
- Solid Waste fund
- Hamptons and Woodlands Golf Course Funds

◦ Refuse-Steam Plant Fund

For fiscal year 2025, the business-type activities experienced a \$7.7 million increase in net position (referred to as “profit” by the general public). As shown in the chart below, Hampton Road’s Convention Center, Hampton Coliseum, and Wastewater Funds were the major contributors to the overall increase. The Solid Waste and Refuse-Steam Plant closed the year with a deficit, reducing net position.

Business-Type Activities Change in Net Position
(shown in thousands)



Business-Type Activity	Change in Fund Balance
Hampton Coliseum	1,466
Woodlands Golf Course	98
Hamptons Golf Course	101
Solid Waste	(861)
Refuse-Steam Plant	(3,565)
Wastewater	5,952
Museum	764
Hampton Roads Convention Center	3,790
Total Increase to Net Position	7,746

Hampton Road's Convention Center (HRCC)

The Convention Center's financial statements are presented on pages 50-54. The HRCC experienced a \$3.8 million increase in net position (referred to as "profit" by the general public). From an operational perspective, revenues decreased by \$0.461 million or 16%. Management reports that while some of HRCC's revenue streams such as assemblies, public shows, and meetings remained consistent with prior years, the HRCC experienced a significant decline in building rental for conventions. Expenditures increased by \$0.596 million or 8% and is largely attributed to building renovations and increased utility cost. The City has dedicated 2 percent of the meal and lodging tax rates of 7.5 percent and 8 percent, respectively, to the HRCC to cover the cost of debt service and other operational cost. Meal and lodging taxes continue to perform very well. The General Fund transferred \$9.6 million in dedicated meals and lodging taxes to HRCC during fiscal year 2025, contributing to the overall positive performance.

Hampton Coliseum

The Hampton Coliseum's financial statements are presented on pages 187-189. The Hampton Coliseum Fund generated a \$1.5 million increase in net position (referred to as "profit" by the general public). The Hampton Coliseum Fund revenues were flat when compared to the prior year, reporting less than a 1% increase. Expenditures were \$1.3 (6%) million less in fiscal year 2025 than the prior year. The fund experienced a reduction in expenses as a combined result of vacancies and reduction in expenses from the transition of the Aquaplex operations from the management company to the Hampton Coliseum. The General Fund transferred \$ \$2.2 million to the Hampton Coliseum Fund in fiscal year 2025.

Wastewater Management

The Wastewater's financial statements are presented on pages 50-54. The Wastewater Management Fund performed very well during fiscal year 2025. Revenues increased by \$6.7 million or 62% over the prior year. The increase in revenues is due to the fee increase that became effective on July 1, 2024. The purpose of the fee increase is to support continued maintenance and repair costs of the wastewater system, which contributed to the increase of \$1.5 million in expenses over the prior year. Even with the increased expenses, revenues exceeded expenses by \$6 million and resulted in an increase in net position (referred to as "profit" by the general public).

Solid Waste

The Solid Waste fund's financial statements are presented on pages 187-189. The Solid Waste fund generated a \$3.0 million increase in revenues over the prior year. The increase is a result of fee increase that became effective as of July 1, 2024. The purpose of the fee increases were to continue to support the maintenance and repair of the landfill and yard waste sites. The \$1.8 million increase in expenditures is a direct result of the ongoing yard waste site maintenance

project. Overall, Solid Waste closed the year with a \$0.8 million deficit or reduction to net position.

Refuse Steam Plant

The Steam Plant's financial statements are presented on pages 187-189. The Refuse-Steam Plant is not depicted in the pie-chart above because it closed the year with an operating deficit. One of the Steam Plant's primary conveyors was inoperable during the fiscal year. Maintenance cost combined with the reduced revenue resulting from limited operations resulted in the plant operating at a \$3.6 million deficit for the fiscal year.

Closing Comments

I would like to thank the Finance Department staff for their dedication and untiring efforts in maintaining accurate financial records, the long hours they worked to close the City's funds, assisting the external auditors, and preparing the ACFR. I feel honored to have each of them on my team.

If you have any questions concerning the report, please contact me.