

Quarterly Report

Department of Finance & Procurement



Town Council Meeting Date: February 11, 2025

Second Quarter 2025: October, November, December

Department introduction:

The mission of the Department of Finance and Procurement is to promote excellence and transparency in the delivery of effective and efficient financial management services to our internal and external customers and stakeholders. This is accomplished by adhering to sound financial management practices, demonstrating integrity in all that we do, and working as a team to support the Town's mission, vision, and values.

The Department is responsible for accounting and financial reporting, budget preparation and monitoring, debt management, accounts receivable, accounts payable, payroll processing, procurement, tax billing, utility billing, collections, and investment management.

Project Progress:

Accounting and Financial Reporting:

- Fiscal Year 2024 Audit and ACFR:
 - As required by the Code of Virginia, the Town's external audit firm, Brown Edwards & Company, LLP, presented the results of the audit and highlights of the financial report for the fiscal year ended June 30, 2024, to the Town Council at the December 10, 2024, Council meeting.
 - The Town received an **unmodified opinion**, which is the highest opinion that can be received.
 - Staff have prepared the Town's first Popular Annual Financial Report (PAFR) for FY 2024. This condensed and easy to read report will be available on the Town's website and will be submitted to the Government Finance Officers Association for consideration for the PAFR award.

Budget:

- Fiscal Year 2026 Budget Development:
 - The Town Manager and the Budget Manager have met with departments to review their budget requests and to compile an initial draft of the budget.
 - The February 11, 2025, work session includes an agenda item for a high-level overview of potential budget scenarios with a goal of obtaining Council feedback regarding preferred options and direction.

Tax Administration:

- The second half property tax bills were due on December 16th. These bills were for:
 - Real estate tax and stormwater management fees for the second half of 2024
 - Personal property tax and motor vehicle license fees

Details regarding collection percentages are provided later in this report.

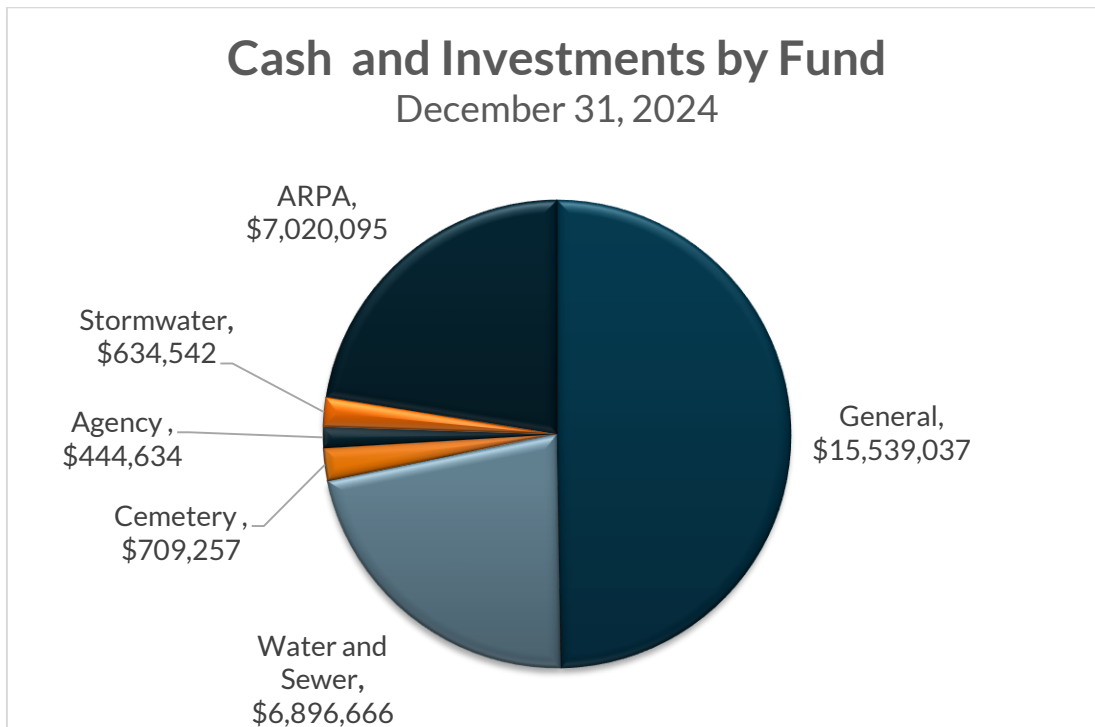
- Business license renewal applications will be mailed in March. At the December 2024, Council meeting, the Town Council adopted an ordinance to modify the due date from March 1st to April 15th.
- Delinquent business license bills have been sent to collections. This included statutory assessments for non-filers. Further information on delinquent balances may be found later in this report.

Charts and information:

The following charts are provided based on the information contained in the **attached financial statements for the period ending December 31, 2024**. The statements are presented on a cash basis.

Cash and Investments

The following chart shows the cash and investment balances for each of the Town's major funds. Cash has decreased by approximately \$4.7 million compared to the same period last year due to capital spending. Funds held in the Cemetery and Agency funds were not previously included in this presentation and have been added to the statements and the chart below.



Reserve Amounts

This section has been modified to provide the unassigned fund balance as of the financial statement date. The council adopted a minimum unassigned fund balance for the General Fund equivalent to 50% of current adopted annual operating expenditures. That policy target for FY25 is \$9.4 million. As of December 31, 2024, the unassigned fund balance falls below that target by \$214,764.

For the Water and Sewer fund, the Council adopted a policy to maintain a cash balance equivalent to 200 days of operating expenses. As of December 31, 2024, the cash balance in the fund falls short of the policy level by \$534,029.

As we close out a fiscal year, many items are adjusted and accrued to the prior fiscal year in July and August. For this reason, falling below these targets is not unusual at this point in the year.

As we progress through the budget process, staff will provide updated projections for compliance with these policies.

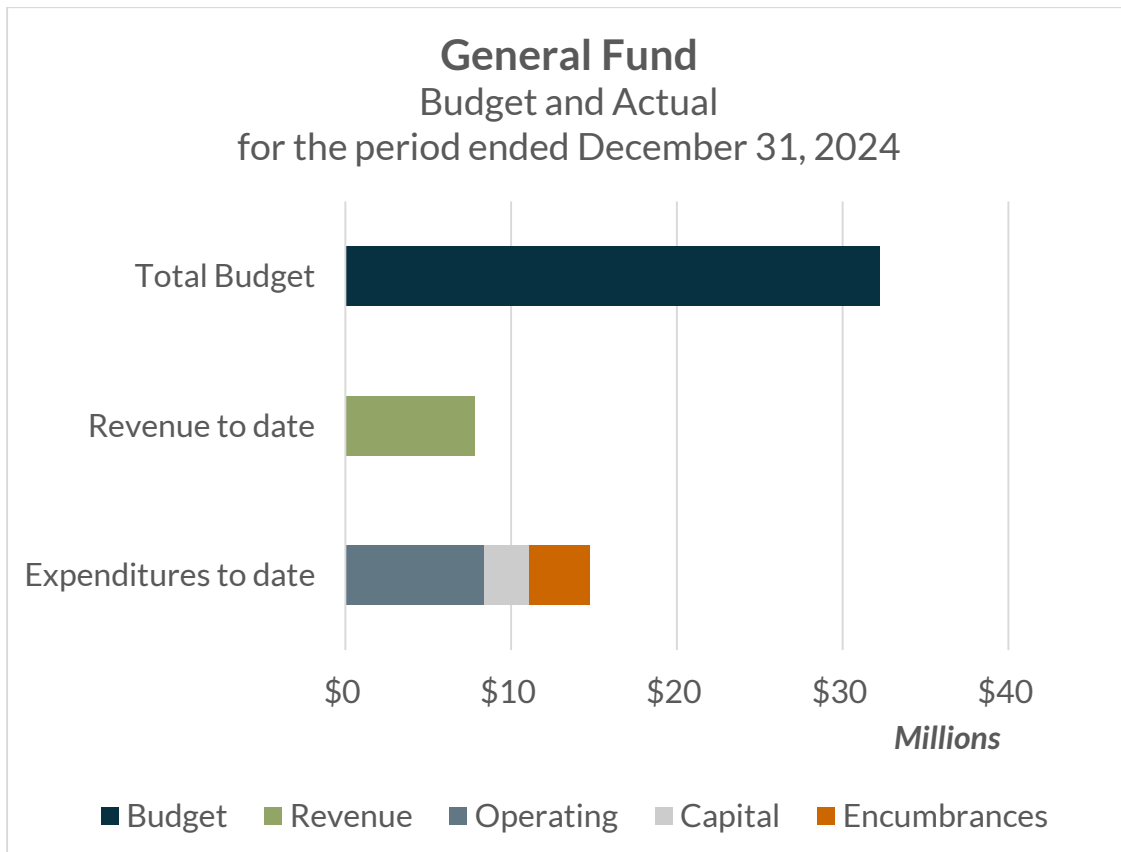
Budget and Actual by Fund

The following pages contain graphs for each fund that compare the budget to the actual revenue or expenditures recorded year-to-date. Capital projects are included for each fund. This can distort the budget-to-actual comparison, since most capital spending crosses over fiscal years.

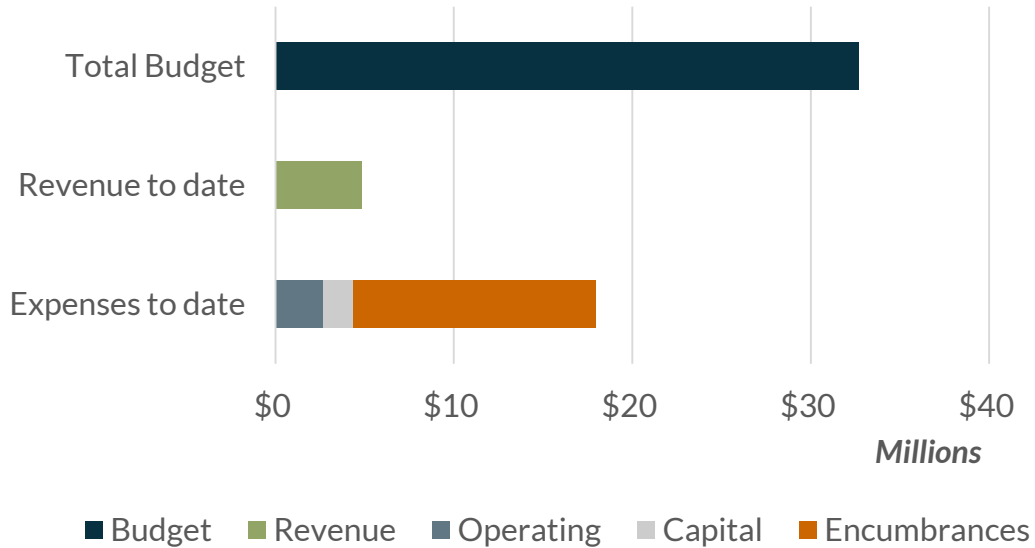
Each graph shows:

- the total budget for the fund, represented by the dark blue bar at the top of each graph.
- revenue received year-to-date, represented by the green bar.
- expenditures recorded year-to-date.
 - This is further broken down into
 - Operating (blue)
 - Capital (light gray)
 - Encumbrances (orange) – this represents the total value of purchase orders issued to vendors for services, equipment, materials, and supplies. While not part of the actual expenditure as of the end of the period, these amounts will be expended in the coming months.

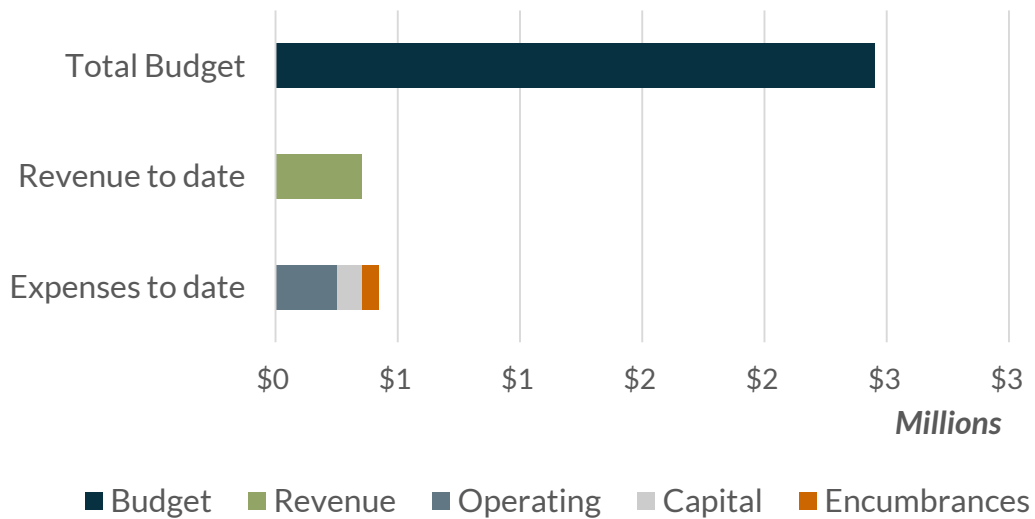
The budget figures will be amended by the amounts in the carryover resolution on the November agenda. Some of the carryover amounts are on existing open purchase orders that are reflected in the encumbrance column on page 3 of the financial statements. In those instances, it may appear that the budget has been exceeded. This is only due to the timing of the appropriation.



Water and Sewer Fund Budget and Actual for the period ended December 31, 2024



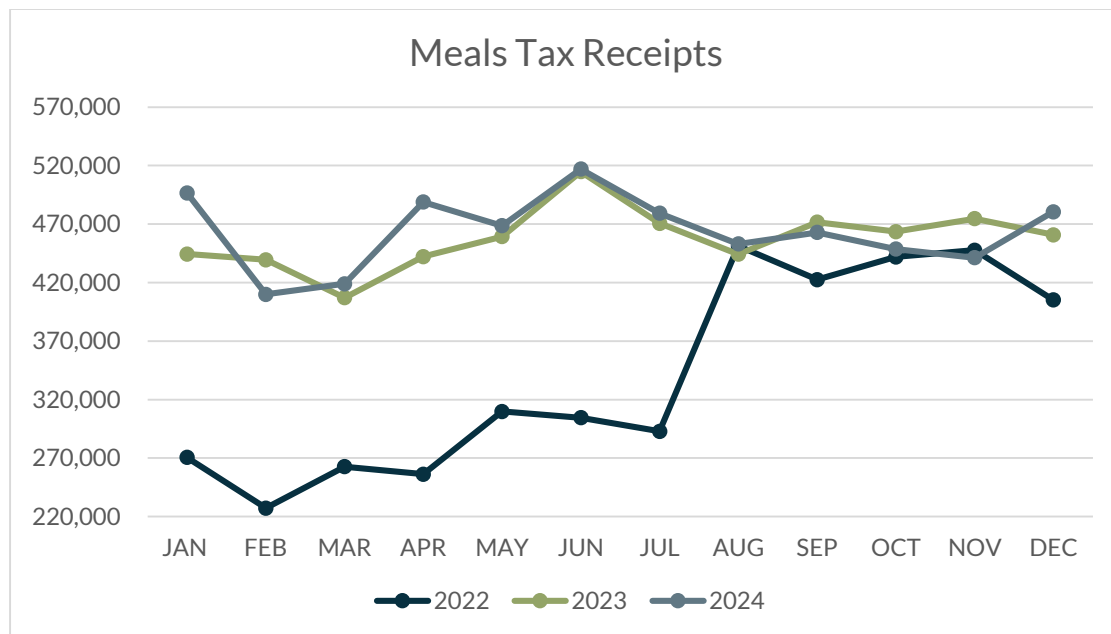
Stormwater Fund Budget and Actual for the period ended December 31, 2024



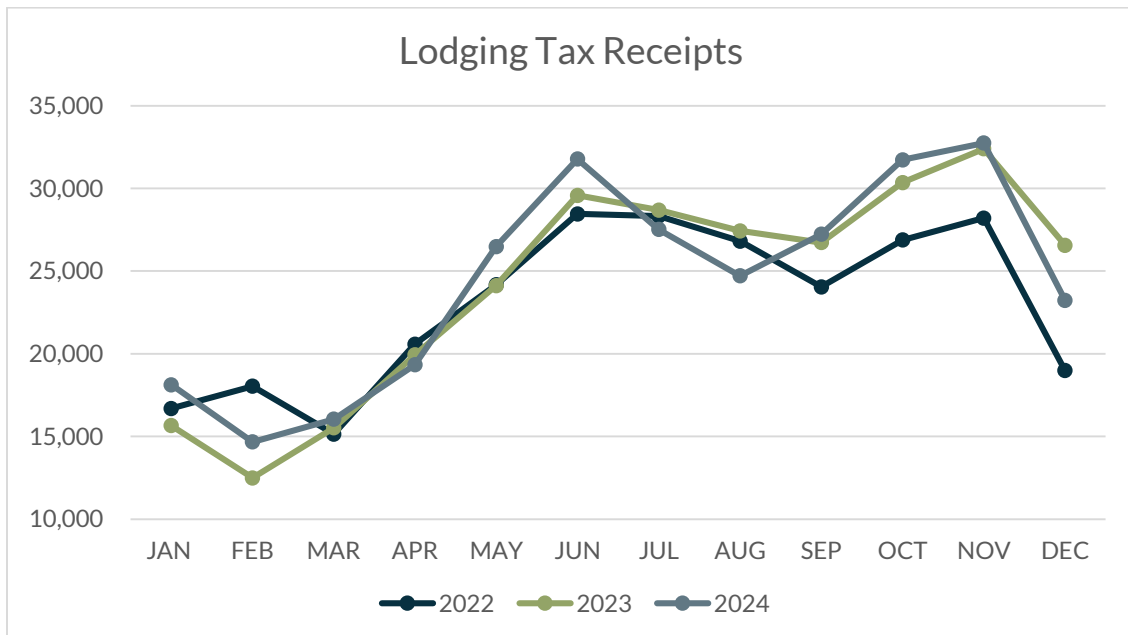
REVENUE TRENDS

A review of the monthly revenue categories is provided to assist in understanding how our current receipts compare to prior periods. The data is presented on a cash basis for the current calendar year (2024) and two prior years (2023 and 2022). The monthly revenue categories presented are Meals Tax, Lodging Tax, Local Sales Tax, and Utility Billing Receipts.

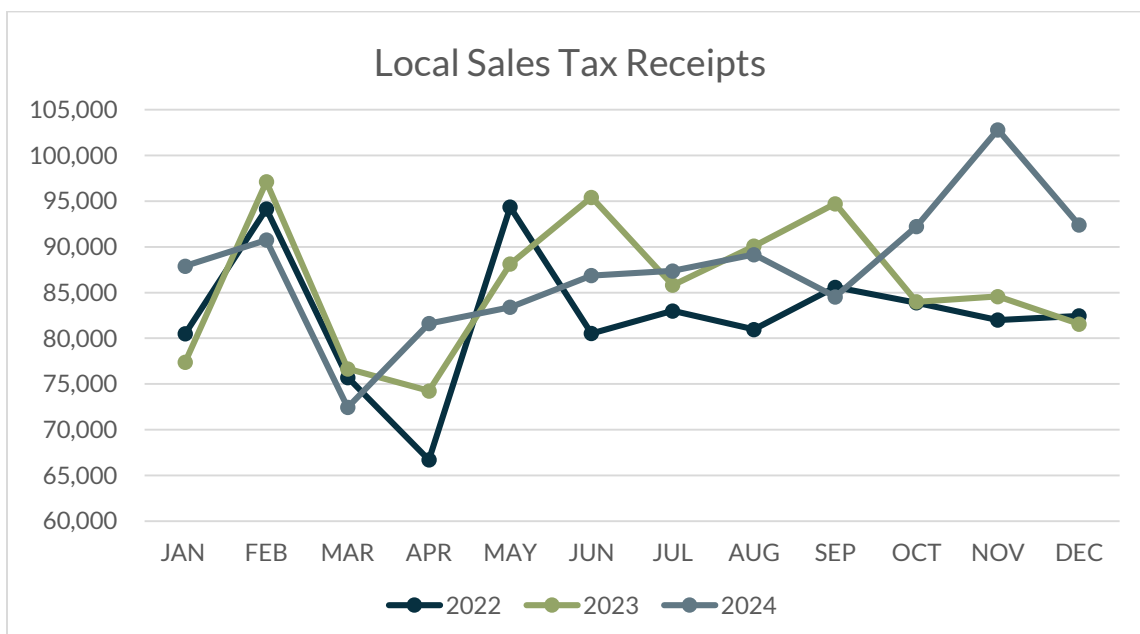
Meals Tax - This is the largest revenue source for the General Fund. The August 2022 collections reflect the beginning of the increase in the rate that was adopted in the FY23 budget. The average increase in meals tax receipts for 2024 compared to 2023 has been 3.7%.



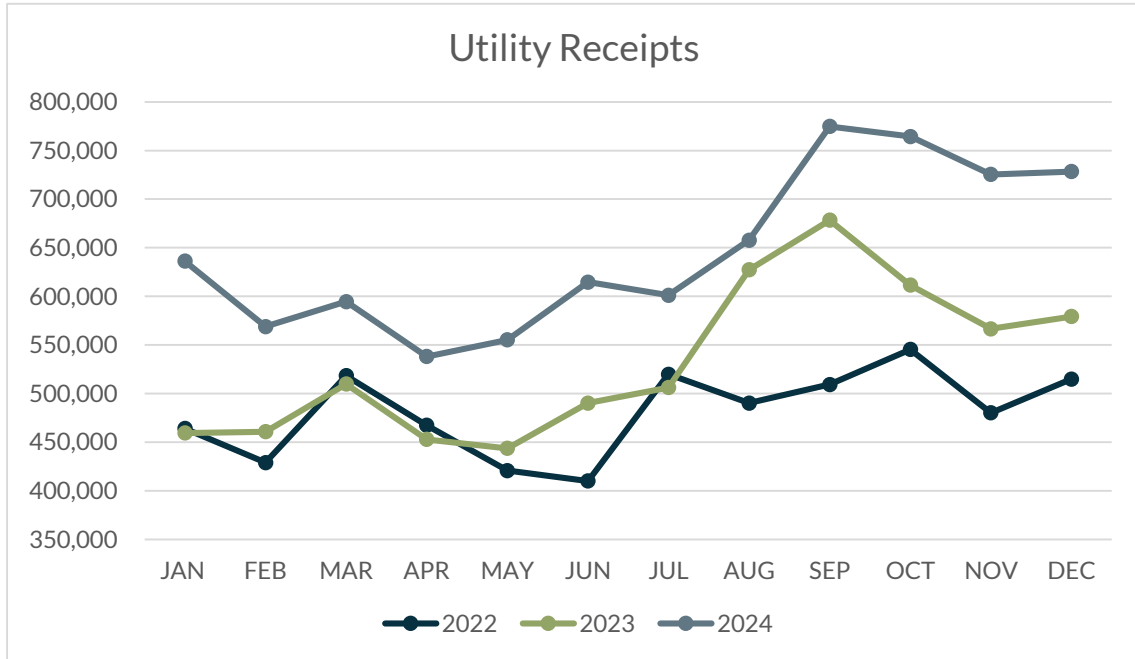
Lodging Tax – Lodging tax revenue has declined this past quarter in comparison to the same period in prior years.



Local Sales Tax – Sales Tax receipts for this quarter were higher than 2023. The remittance lags the month of collection by two months (e.g. – sales tax collected in December is received in February). This helps to explain some of the seasonal fluctuations in the chart below.



Utility Receipts - The chart below shows the monthly receipts for Water and Sewer bills. The increase across the years follows the budgeted increases, and monthly trends have remained fairly constant in the last quarter.



Data:

DELINQUENT ACCOUNT BALANCES

Real Estate Tax and Stormwater Management Utility Fee

Real Estate tax and the Stormwater Management Utility fee are due twice a year, on June 15th and December 15th. The percentage collected and unpaid balances for FY24 and FY25 are shown below:

Real Estate Tax	Percent Collected	Unpaid Balance
2nd half, CY2023	99.4%	\$2,637.55
1st half, CY2024	99.0%	\$4,268.02
2nd half, CY2024	96.8%	\$11,399.48

Stormwater Utility Fee	Percent Collected	Unpaid Balance
2nd half, CY2023	99.4%	\$2,168.69
1st half, CY2024	98.8%	\$4,430.04
2nd half, CY2024	97.0%	\$12,565.48

Personal Property Tax and Vehicle License Fee

Personal Property taxes and vehicle license fees are due once a year on December 15th. The percentage collected and unpaid balances for the December 15, 2024, billing are shown below:

Type	Percent Collected	Unpaid Balance
Personal Property Tax	93.9%	\$70,579.31
Business Personal Property Tax	90.9%	\$39,449.40
Vehicle License Fee	69.2%	\$70,028.50

Business License Tax

Business license renewal applications are due annually on April 15th for the license year beginning July 1. The payment for the license is due on June 30th. The percentage collected and unpaid balances are shown below for the last three license years. We have recently issued statutory assessments for delinquent filers, so the unpaid balances have increased from prior reports.

Type	Percent Collected	Unpaid Balance
Business License 2023	99.4%	\$13,364.11
Business License 2024	98.7%	\$28,814.35
Business License 2025 *	96.6%	\$81,356.57

Meals Tax

Meals Tax collectors must file for us to know the amount of tax owed. If they fail to file, we may issue a statutory assessment based on the best available information and pursue collection of that amount.

Past Due Amounts and Delinquent Filings: The Town has a total of 87 registered Meals Tax collectors. The following businesses have past due Meals Tax balances or are not current on their filings.

Business	Past Due Amount	No. of Months Past Due Filing
Black Bear Bistro *	\$39,621.83	3
China Jade	\$0.00	1
Fat Tuesdays	\$898.20	1
Little Caesars	\$726.60	1
Silver Branch	\$13,550.59	0
Weirddoughs	\$1,852.16	0
Wild Hare Hard Cider	\$1,217.79	1

** business closed; statutorily assessed for months that were not filed and turned balance over to third-party collection agency; total amount includes penalty and interest*

Lodging Tax

Like Meals Tax, businesses must file for us to create an assessment. All registered collectors are current in their filings and payments.

Sales Tax

Sales tax is remitted to the State each month based on the County, not the Town, that the business is located in. The local 1% is then sent back to the County. The amount to be distributed to the Towns is determined based on the residency of school-aged children. The County retains 50% of that amount and distributes the remaining 50% to the incorporated Towns based on the percentage of school-aged children residing in each town. There is no information provided by the State regarding delinquent accounts.

Utility Billing

The total delinquent balance has decreased by \$8,999 compared to December 2023.

WATER AND SEWER OPERATING A/R AGING

	December 31, 2023	December 31, 2024	Incr./ (Decr.)
Over 30	111,204	101,315	(9,889)
Over 60	36,979	44,695	7,716
Over 90	20,231	13,405	(6,826)
Total	\$ 168,414	\$ 159,415	\$ (8,999)