Quarterly Report

Department of Finance & Procurement

Town Council Meeting Date: August 11, 2026

Fourth Quarter 2026: April, May, June 2026

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:

Debt Issuance:

- Council adopted a Reimbursement Resolution in September 2025 that will allow the Town to use bond proceeds to replenish reserves that have been used to fund capital.
- In November 2025, the Town's financial advisors conducted 2 by 2 meetings with Council members to discuss the upcoming debt issuance and credit rating process.
- Town Council conducted a public hearing and passed a resolution to authorize the issuance of debt at the January 2026 Council meeting.
- Town Staff met with the rating agencies in March 2026. The Town was subsequently awarded a credit rating of Aa2 from Moody's and AA+ from S&P.
- Bids were received for the bonds on April 16th. The Town closed on the bonds on April 30th.

Budget:

- Proposed Fiscal Year 2027 Budget:
  - The proposed budget was delivered to Council on April 1st.
  - A high-level overview of the proposed budget was presented by the Town Manager and the Budget Manager at the April 14th work session.
  - Two public hearings were held at the May Council meeting.
    - A Public Hearing to Consider a Proposed Real Property Tax Increase

                - This public hearing is required by the Code of Virginia when there is a general reassessment resulting in an effective real property tax rate increase.
            - A Public Hearing on the Proposed Fiscal Year 2027 Budget and the Proposed 2027-2032 Capital Improvement Program
    - Calendar year property tax rates were adopted at the May Council meeting.
    - The Fiscal Year 2027 Budget was adopted at the June Council meeting. No changes were made to the budget. Staff are working to finalize the budget document this month.

Tax Administration:

- Business license renewal applications were due on April 15th. This is the second largest local revenue category for the General Fund. Payment for the renewals was due on June 30th, the last day of the fiscal year.
- The first half of 2026 real estate tax and stormwater fee were due on June 15th.

Enterprise Resource Planning (ERP) Project

- The first phase of the ERP project went live on May 5th. This phase includes purchase orders, accounts payable, budget, general ledger, and miscellaneous billing. Staff are continuing to work with departments, IT, and the software vendor on training and making adjustments to the system. Overall, we consider this phase to be a success and a step in the right direction towards greater efficiency.
- The HRM and payroll modules will go live in October 2026.

Fiscal Year 2026 External Audit

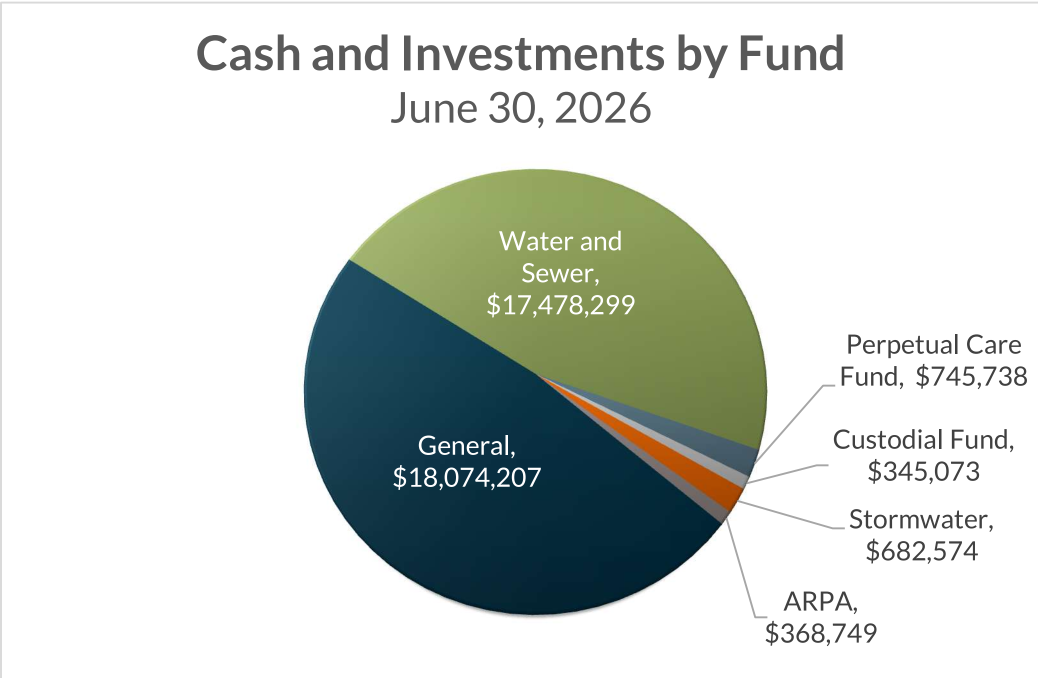
- Our external audit firm, Brown, Edwards & Company, conducted preliminary fieldwork the week of June 29th. They will return for final fieldwork in the first week of October.
- The results of the audit and the financial statements for Fiscal Year 2026 will be presented to Town Council at the December Council meeting, as required by Virginia Code.

Charts and information:

The following charts are provided based on the information contained in the **attached financial statements for the period ending June 30, 2026.**

Cash and Investments

The following chart shows the cash and investment balances for each of the Town's major funds. The total has increased by approximately $10.1 million compared to the same period last year due to the issuance of debt for General Fund and Water and Sewer Fund capital projects.



Reserve Amounts

The reserve amounts reported in this section fall below the Town's adopted policy thresholds. This will be remedied by the replenishment of funds following the issuance of debt for capital projects.

General Fund Unassigned Fund Balance

The council adheres to an adopted minimum unassigned fund balance policy for the General Fund equivalent to 50% of current adopted annual operating expenditure. The current estimate is provided below.

Fiscal Year	UFB as Percentage of Budgeted Operating Expenditures
FY26	55.50%

- **FY26:** The policy threshold for FY26 is $9.6 million. The ***preliminary*** current unassigned fund balance is **55.5%** of the FY26 operating budget. This is $1,061,862 greater than the policy threshold.

Water and Sewer Fund Cash Balance

For the Water and Sewer fund, the Council adopted a policy to maintain a cash balance equivalent to 200 days of operating expenses.

Fiscal Year	Cash Balance Equivalent to Days of Operating Expenses
FY26	704

- **FY26:** The policy threshold for FY26 is $4.7 million. The ***preliminary*** current cash balance exceeds the policy by $11,863,063. This is equivalent to 704 days of operating expenses.

Budget and Actual by Fund

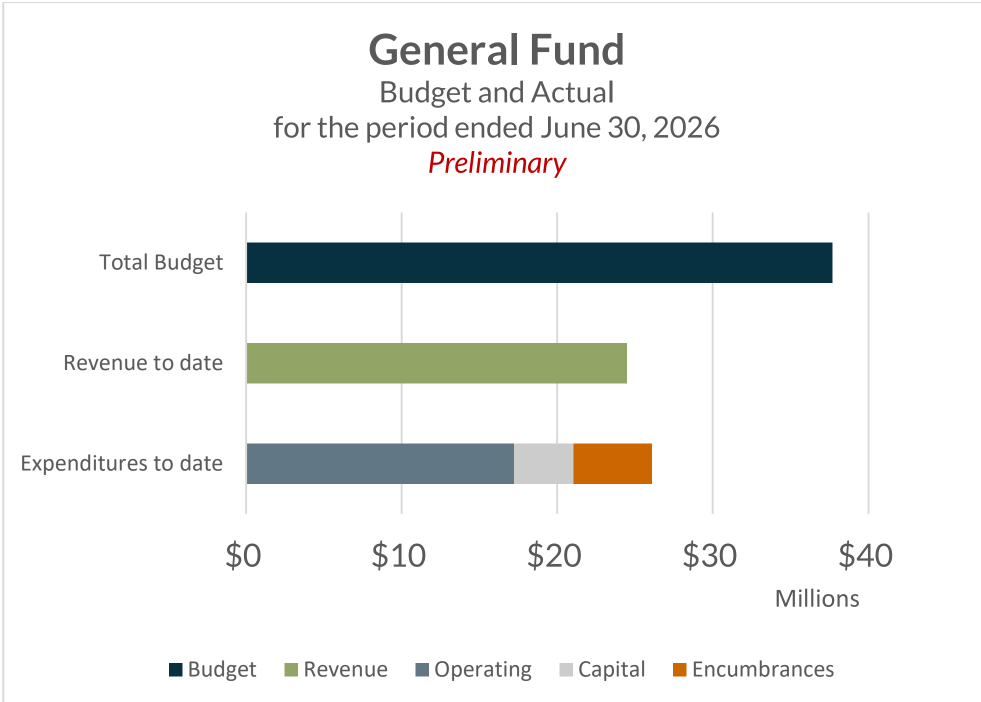
The following pages contain graphs for each fund that compare the budget to the actual revenue or expenditures recorded year-to-date. Capital projects are included for each fund. This can distort the budget-to-actual comparison, since most capital spending crosses over fiscal years.

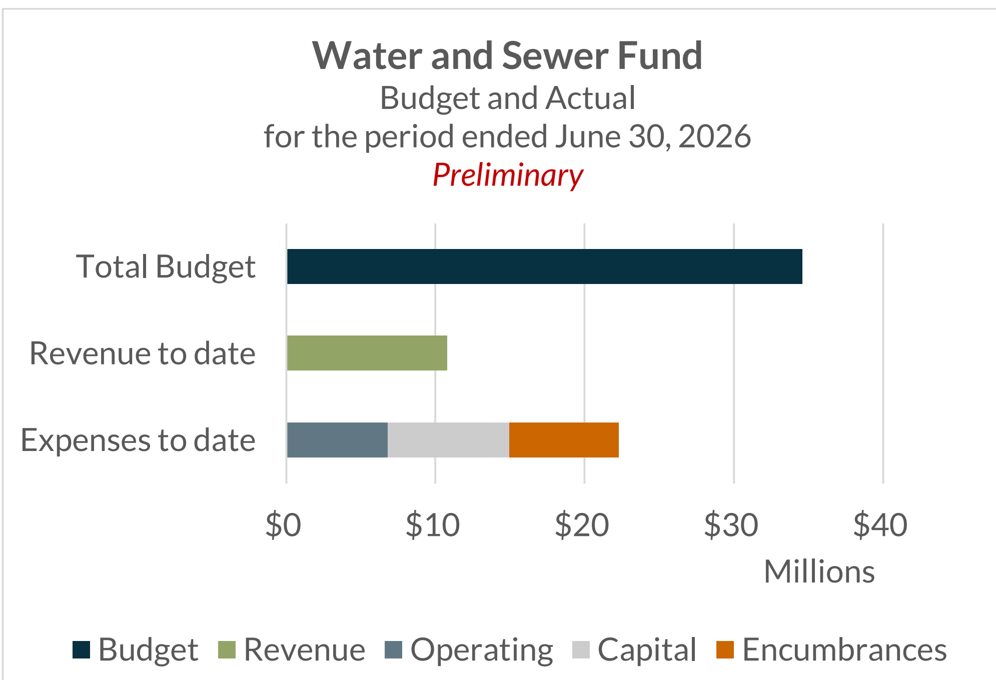
Each graph shows:

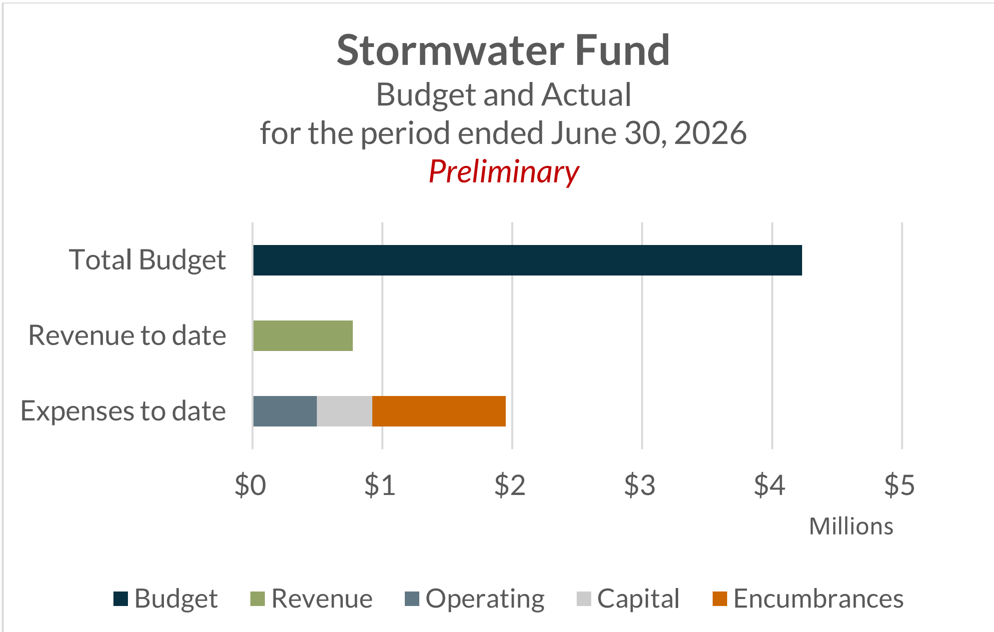
- the total budget for the fund, represented by the dark blue bar at the top of each graph.
- revenue received year-to-date, represented by the green bar.
- expenditures recorded year-to-date.
    - This is further broken down into
        - Operating (blue)
        - Capital (light gray)
        - Encumbrances (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.

Impact of Accruals for Financial Reporting

For the general fund, the accrual of revenues to the prior fiscal year for financial reporting purposes may result in those revenue categories appearing lower than the expected amount. Accruals for FY26 will be processed in conjunction with our external audit through the next month. As such, these amounts are preliminary and will change as a result of year-end accounting entries.


General Fund
Budget and Actual
for the period ended June 30, 2026
Preliminary
Total Budget
Revenue to date
Expenditures to date
$0
$10
$20
$30
$40
Millions
Budget
Revenue
Operating
Capital
Encumbrances

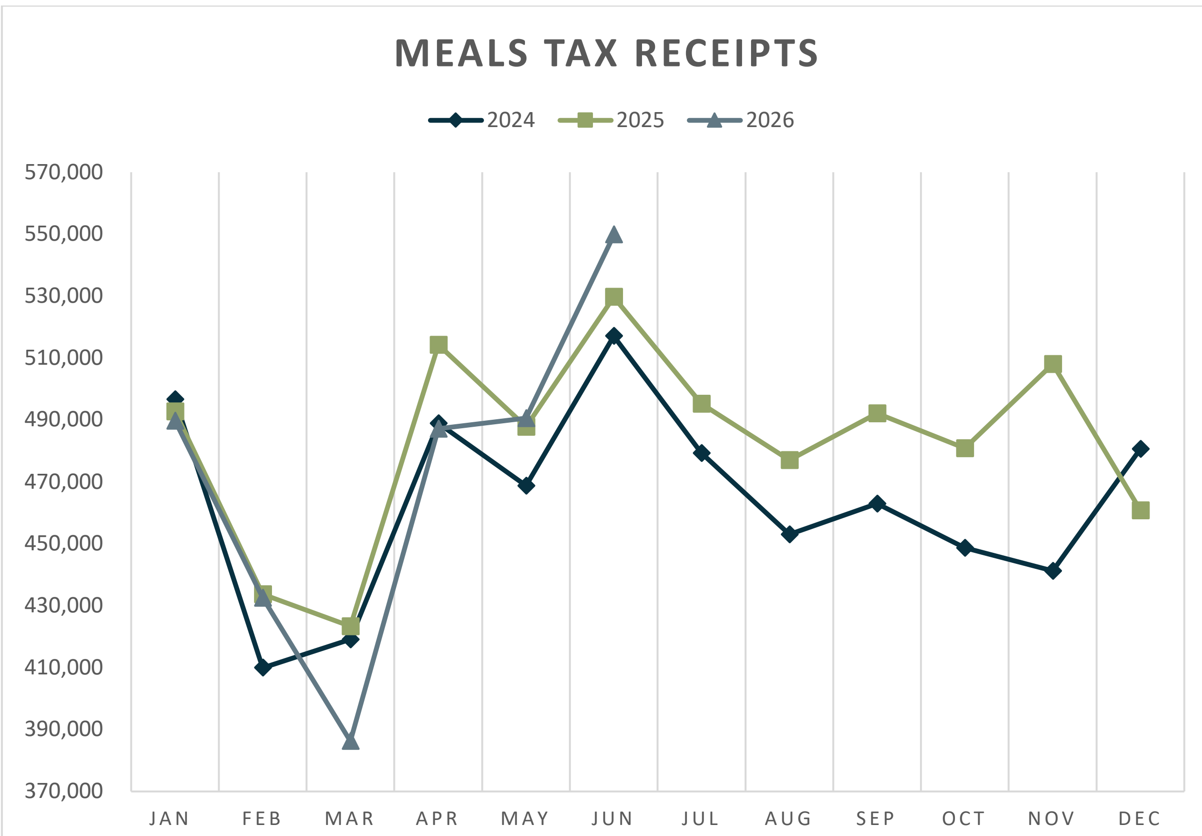

Water and Sewer Fund
Budget and Actual
for the period ended June 30, 2026
Preliminary
Total Budget
Revenue to date
Expenses to date
$0
$10
$20
$30
$40
Millions
Budget
Revenue
Operating
Capital
Encumbrances


Stormwater Fund
Budget and Actual
for the period ended June 30, 2026
Preliminary
Total Budget
Revenue to date
Expenses to date
$0
$1
$2
$3
$4
$5
Millions
Budget
Revenue
Operating
Capital
Encumbrances

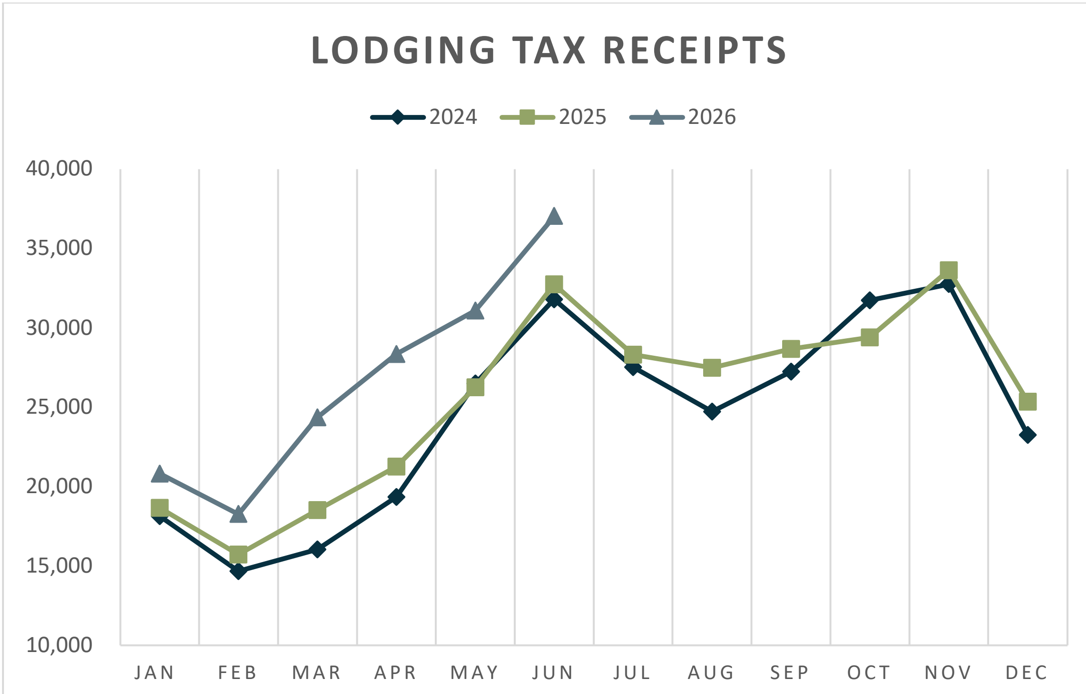
REVENUE TRENDS

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 (2026) and two prior years (2025 and 2024). The monthly revenue categories are Meals Tax, Lodging Tax, Local Sales Tax, and Utility Billing Receipts.

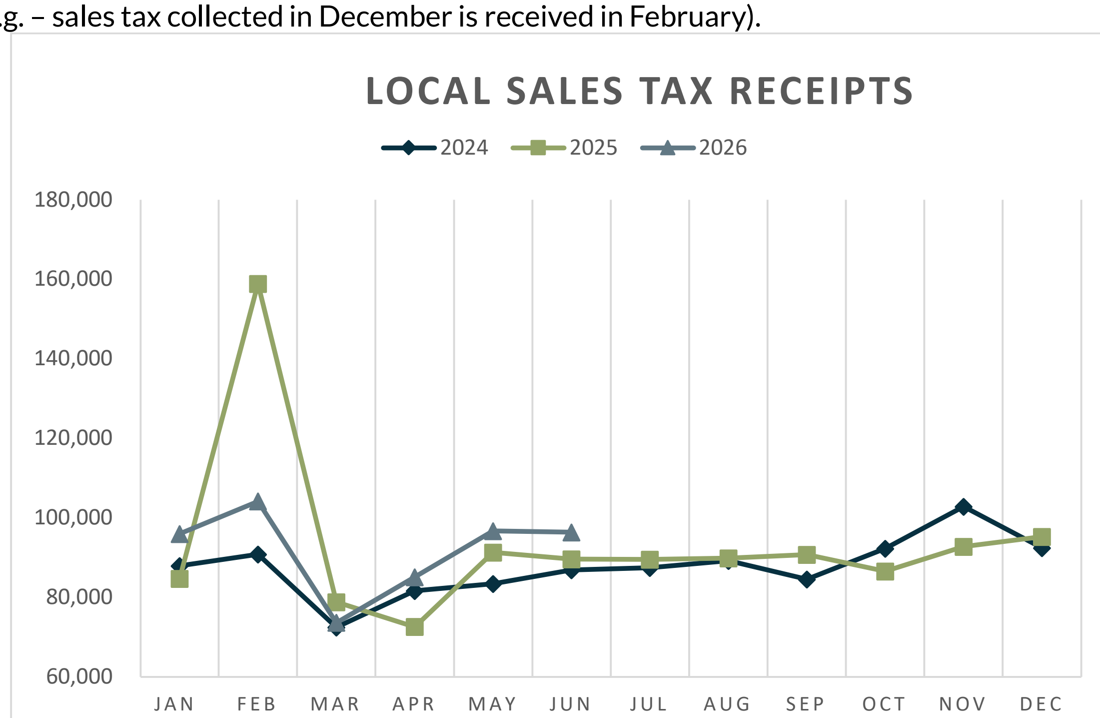
Meals Tax - This is the largest revenue source for the General Fund. Collections held steady in April and May and rose by 4% in June.



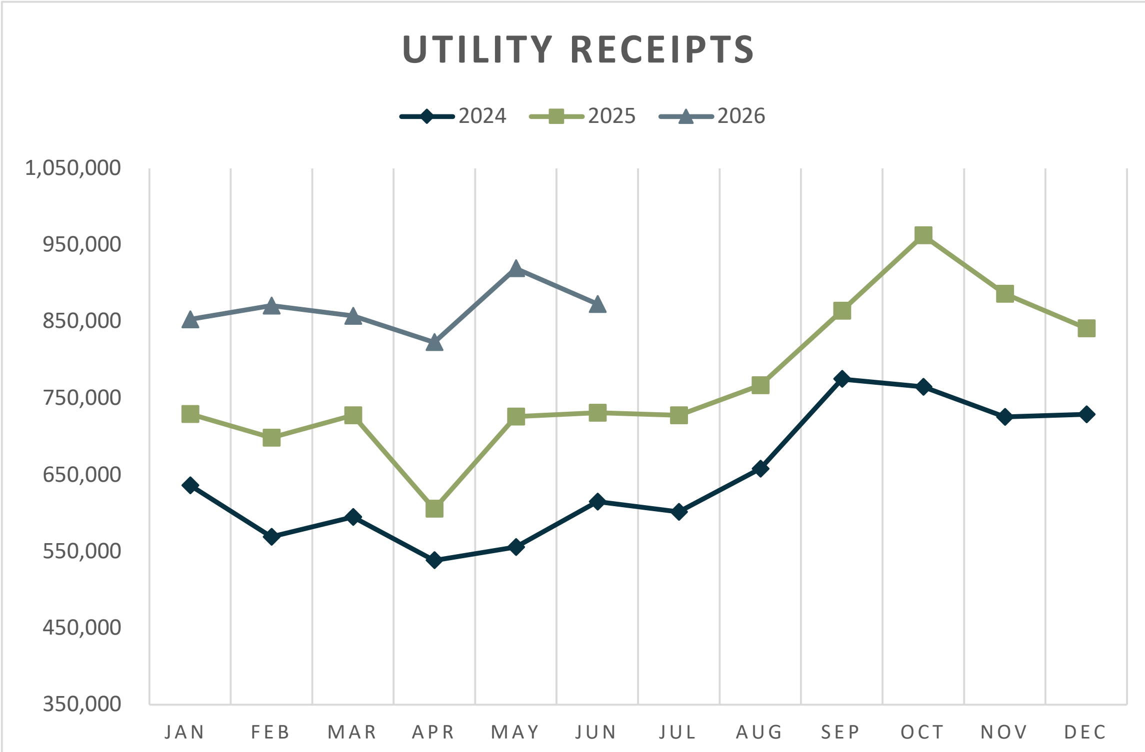
Lodging Tax – Lodging tax revenue has increased by an average of 22% for April through June compared to the same period in 2025.



Local Sales Tax – Sales Tax receipts have followed the same trend, apart from the anomaly in collections for February 2025. The remittance lags the month of collection by two months (e.g. – sales tax collected in December is received in February).



Utility Receipts - The chart below shows the monthly receipts for Water and Sewer bills. The increase in the August and September time frame for each year reflects the annual adopted rate increases of approximately 23% in accordance with the Water and Sewer rate study update finalized in 2023.



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, FY25, and FY26 are shown below:

Fiscal Year	Real Estate Tax	Percentage Collected	Unpaid Balance
FY25	2nd half, CY2024	99.7%	$2,029.73
FY25	1st half, CY2025	99.5%	$4,846.86
FY26	2nd half, CY2025	99.2%	$7,379.18
FY26	1st half, CY2026	96.1%	$38,380.62

Fiscal Year	Stormwater Utility Fee	Percentage Collected	Unpaid Balance
FY25	2nd half, CY2024	99.8%	$601.57
FY25	1st half, CY2025	99.6%	$1,268.57
FY26	2nd half, CY2025	99.2%	$3,044.92
FY26	1st half, CY2026	95.7%	$15,709.43

<u>Personal Property Tax and Vehicle License Fee</u>
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, 2025, billing are shown below:

Fiscal Year	Type	Percentage Collected	Unpaid Balance
FY26	Personal Property Tax	97.6%	$28,069.77
FY26	Business Personal Property Tax	93.7%	$27,880.90
FY26	Vehicle License Fee	84.5%	$37,344.31

<u>Business License Tax</u>
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 current and last three years.

Fiscal Year	Type	Percentage Collected	Unpaid Balance
FY24	Business License 2024	99.4%	$13,737.36
FY25	Business License 2025	99.1%	$22,126.75
FY26	Business License 2026	99.2%	$18,366.79

<u>Meals Tax</u>
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.

<u>Past Due Amounts and Delinquent Filings:</u> 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.

Balance Due Range	Business	No. of Months Past Due Filing
< $10,000	Fat Tuesday's *	0
	Talk of the Mountain *	0
	Wild Hare Hard Cider	0
	Little Caesars *	4
	Weirdoughs	0
	China Jade	0

** statutory assessment issued*

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 increased by $55,374 compared to June 2026. This represents a 54% increase compared to FY25.

	June 30, 2025	June 30, 2026	Incr./(Decr.)
Over 30	76,958	102,939	$ 25,981
Over 60	19,981	32,847	12,866
Over 90	4,588	21,114	16,526
Total	$ 101,527	$ 156,901	$ 55,374