Attachment A

Introduction

Prior to the completion of the County's annual audit, staff provides the Board of Supervisors with a preliminary unaudited year-end report. It is ordinary for there to be some adjustments between the two reports due to continued year-end reconciliations, quality control, or audit adjustments taking place between now and the completion of the audit. The County must submit its audit to the Auditor of Public Accounts by December 15th each year.

Following a discussion of the General Fund's fund balance, a summary of notable changes in revenues and expenditures is included in this attachment.

Projected Change in Fund Balance

The General Fund maintains an unassigned fund balance, which is the accumulation of prior actual revenues minus actual expenditures. The General Fund's fund balance is a "rainy day" reserve for unforeseen emergencies and a critical component of bond rating process. It is not an ongoing funding source and is not to be used to fund ongoing expenditures. Policies around the General Fund's fund balance are included in the County's Financial Management Policies.

At the end of FY 25, the General Fund's unassigned fund balance was $98.3 million. Based on the result of the preliminary actual revenues less anticipated preliminary expenditures during FY 26, as shown in the table on page 2, the General Fund's fund balance is projected to increase $4.8 million to $103.1 million. This increase reflects the planned use of a portion of this balance above the County's fund balance policy requirements; along with other appropriated and obligated uses.

Of the projected $103.1 million in unassigned fund balance at the end of FY 26:

- $59.4 million is required to meet the County's adopted 10% General Fund's Fund Balance policy requirements for unassigned fund balance as adopted in the County's Financial Management Policies.

- $8.9 million is required to meet the County's Budget Stabilization Reserve. The Budget Stabilization Reserve as adopted in the County's Financial Management Policies is to be at an amount equal to 2% of the total operating revenues. Based upon the FY 27 Adopted budget, 25% of the overall Budget Stabilization Reserve is reserved for use in FY 27 to create a short-term funding bridge based on the County's Five-Year Financial Plan, resulting in a Budget Stabilization Reserve of 1.5% at the end of FY 26.

Policy	Amount
Unassigned Fund Balance *(10% of Operating Revenues, which is General Fund + School Fund - General Fund Transfer to School Fund)*	$ 59,352,095
Budget Stabilization Reserve *(1.5% of Operating Revenues, which is General Fund + School Fund - General Fund Transfer to School Fund)*	$ 8,902,814

- $4.2 million is estimated to be required to meet the General Fund-School Reserve Fund policy as adopted in the County's Financial Management Policies.

- $21.6 million is appropriated or obligated, primarily due to funding a) already appropriated in FY 27, b) under review to re-appropriate uncompleted projects or purchase orders from FY 26 to FY 27, and c) reserved at this time to meet anticipated fund balance policy requirements in FY 28 should General Fund revenues increase.

- $2.5 million is recommended to be held for consideration as part of the FY 28 budget development process after the audit is complete. In prior budgets, it has been typical for approximately $2.5 million of one-time funding to be planned for one-time expenses in the upcoming budget.

General Fund Revenue and Expenditure Preliminary Actuals

Please note that this analysis is looking backwards at financial performance, not at projections for what could be ahead in FY 27 and FY 28. Many of the County's major revenue collections lag from current activity. For example, real estate reassessments, which are one factor in real estate tax revenues, were as of January 1, 2025 and January 1, 2026 during FY 26 and do not yet reflect more recent market impacts. Additionally, Business, Professional, and Occupational License (BPOL) revenues are largely based on Calendar Year 2025 gross receipts and do not yet reflect more recent economic impacts. Staff will share revenue and economic information with the Board of Supervisors that is forward-looking in October and continue with the Five-Year Financial Plan work sessions in November and December.

Albemarle County Preliminary Year End Financial Report - General Fund

GENERAL FUND REVENUE	FY26 Adopted Budget	FY26 Revised Budget	FY26 Preliminary Actual	$ Variance (Proj-Rev)	% Variance (Proj/Rev)
Current Real Estate and Personal Property Tax	311,558,774	318,913,035	324,328,844	5,415,809	101.7%
Business-Driven Taxes	21,918,060	21,918,060	21,844,077	(73,983)	99.7%
Consumer-Driven Taxes	58,888,186	59,888,186	60,067,511	179,325	100.3%
Other Local Taxes	15,916,276	15,916,276	17,725,283	1,809,007	111.4%
Other Local Revenue	18,809,189	18,853,509	19,285,231	431,722	102.3%
Subtotal, Local	**427,090,485**	**435,489,066**	**443,250,946**	**7,761,880**	**101.8%**
State	29,511,545	29,516,545	28,962,112	(554,433)	98.1%
Federal	9,337,476	9,337,476	9,690,602	353,126	103.8%
Transfers	7,991,247	8,141,247	8,141,247	-	100.0%
TOTAL, GENERAL FUND REVENUE	**473,930,753**	**482,484,334**	**490,044,908**	**7,560,574**	**101.6%**

GENERAL FUND EXPENDITURE	FY26 Adopted Budget	FY26 Revised Budget	FY26 Preliminary Actual	$ Variance (Proj-Rev)	% Variance (Proj/Rev)
Administration	30,432,119	33,555,148	29,353,618	(4,201,530)	87.5%
Judicial	9,034,627	9,169,573	8,665,461	(504,112)	94.5%
Public Safety	78,272,072	79,619,249	73,483,254	(6,135,994)	92.3%
Public Works	13,071,072	13,805,867	12,535,946	(1,269,921)	90.8%
Health & Welfare	33,415,994	39,380,695	37,515,449	(1,865,246)	95.3%
Parks, Recreation & Culture	12,929,875	13,065,666	13,016,307	(49,358)	99.6%
Community Development	19,014,622	19,234,093	18,439,539	(794,554)	95.9%
Subtotal, Departmental Operations	**196,170,381**	**207,830,291**	**193,009,576**	**(14,820,716)**	**92.9%**
City/County Revenue Sharing	20,175,533	20,175,533	20,175,533	-	100.0%
Transfer to School Operations	209,302,695	209,302,695	209,302,695	-	100.0%
Transfers to Capital & Debt	43,340,973	53,020,973	53,020,973	-	100.0%
Other Transfers	2,445,269	5,846,972	5,830,982	(15,990)	99.7%
Other Non-Departmental	3,259,278	5,137,807	3,923,876	(1,213,931)	76.4%
Subtotal, Non-Departmental	**278,523,748**	**293,483,980**	**292,254,059**	**(1,229,921)**	**99.6%**
TOTAL, GENERAL FUND EXPENDITURES	**474,694,129**	**501,314,271**	**485,263,634**	**(16,050,637)**	**96.8%**
Projected Change in Fund Balance - Increase/(Decrease)			4,781,274		

Discussion

General Fund Revenues
Preliminary General Fund actual revenues, excluding the use of fund balance, total $490,044,908 in FY 26. This amount is $7.6 million or 1.6% above the revised budget. The difference between the revised budget and the preliminary actual revenues is primarily due to the following:

- **Current Real Estate and Personal Property Taxes** are projected at $324.3 million, $5.4 million or 1.7% above the revised budget. This is primarily related to Personal Property Tax. There were several factors behind this: a large unanticipated increase in the number of vehicles registered/garaged in the County, higher than anticipated collection rates, and a change in the vehicle assessment process used by the company that provided the assessment figures to the County. All of these combined factors resulted in personal property collections that exceeded the amounts projected in the FY 26 appropriated budget.

- **Business Driven Taxes** are projected at $21.8 million, $0.1 million or 0.3% below the revised budget. This is primarily due to slightly lower collections for Bank Franchise Taxes, which is primarily based on the total bank deposits at branches located in Albemarle County.

- **Consumer-Driven Taxes** are projected to end the year at $60.1 million, $0.2 million or 0.3% above the revised budget. The primary reason for this is due to the year-to-date trend in the Sales and Use Taxes, Meals Taxes, and Transient Occupancy taxes. All three taxes continued strong growth at a slowed, but slightly higher rates, compared to recent history for the majority of the fiscal year.

- **Other Local Taxes** are projected to end the year at $17.7 million, $1.8 million or 11.4% above the revised budget. This is primarily due to the collections of Public Service Corporation, Recordation and Sellers Taxes, which were stronger than anticipated in the FY 26 Budget. This is also due to stronger than anticipated collections in delinquencies, penalties, and interest based upon improvements in collection rates for these processes.

- **Other Local Revenues** are projected to end the year at $19.2 million, $0.4 million or 2.3% above the revised budget. This is primarily due to the net impact of increased interest earnings on investments and revenue from prior year recoveries coming in above budget and decreased revenues from the Speed Camera program designed to increase traffic safety in school zones, and reimbursable overtime (which has a corresponding expenditure) coming in under budget.

- **State Revenues** are projected to end the year at $29.4 million, $0.5 million or 1.9% below the revised budget. This is primarily due to revenues not received due to corresponding preliminary actual expenditures and reimbursement rates for the Department of Social Services.

- **Federal Revenues** are projected to be $9.7 million, $0.4 million or 3.8% above the revised budget. This is primarily due to Department of Social Services revenues received directly from Federal sources based upon actual expenditures and reimbursement rates.

General Fund Expenditures
Preliminary General Fund actual expenditures total $485,263,634 in FY 26. This amount is $16.1 million or 3.2% below the revised budget. The difference between the revised budget and the preliminary actual expenditures is primarily due to the following:

- $7.4 million in operating costs for items that are anticipated to be re-appropriated from FY 26 to FY 27, pending review and approval.

- $4.7 million in departmental salary and benefit savings, primarily due to employee turnover and vacant positions.
- $1.1 million in public safety savings primarily due to equipment, training, and supplies and maintenance savings.
- $1.1 million in savings from community partner agencies and other one-time programmatic savings.
- $456,000 in unused reserves, primarily in the Reserve for Contingencies funding.
- $412,000 in Department of Social Services State and Federal Programs that are largely reimbursed by related revenue.
- $898,000 in other departmental savings.