

# COUNTY OF CULPEPER, VA FINANCIAL POLICIES

## STATEMENT OF POLICY PURPOSE

The County of Culpeper and its governing body, the Board of Supervisors, has a responsibility to the citizens of the County to be transparent and account for all public funds; to manage those funds wisely; and to efficiently and effectively allocate resources to adequately fund and provide services desired by the public.

## POLICY GOALS

- Allow the county to protect itself from fiscal crisis;
- Enhance the County's short and long-term financial credit ability by helping to achieve the highest credit and bond ratings possible;
- Promote long term financial stability by establishing clear and consistent guidelines;
- Provide the total financial picture of the county rather than concentrating on single issue areas;
- Provide a link between long-range financial planning and current operations;
- Provide a framework for measuring the fiscal impact (ie. tax implications) of government services against established fiscal parameters and guidelines.

## CONTENT

- County fund structure & uses
- Operating budget policy
- Capital budget policy
- Capital Improvement policy
- Asset maintenance, replacement & enhancement policy
- Revenue policy
- Debt policy
- Fund balance policy
- Accounting, auditing and financial policy
- Risk management policy
- Investment policy

## **FUND STRUCTURE**

### **Fund Accounting**

The accounts of the County and its component unit, Culpeper County Public School System, are organized on the basis of fund classifications. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

### **Basis of Accounting**

There are two major types of funds – Governmental Fund Types and Proprietary Fund Types.

The accounting principles of the County are maintained on the modified accrual basis of accounting for the General Fund, Special Revenue Funds, Capital Projects Fund, Expendable Trust Funds, Agency Funds, and on the accrual basis of accounting for the Enterprise Funds and the Non-expendable Trust Funds.

### **Governmental Fund Types**

Governmental Funds are those through which most governmental functions of the County and School Board are financed. All expendable financial resources and the related liabilities are accounted for through Governmental Funds. The following are the County's governmental fund types.

#### **General Fund:**

The General Fund is the main operating account of the county and therefore, the largest of the governmental funds; it is used to account for all financial resources except those required to be accounted for in another fund. This includes most traditional local government programs such as Sheriff, Fire, Libraries and Parks. The General Fund also includes transfer payments to the Schools, Debt Service, capital improvement funds and enterprise funds.

#### **Special Revenue Funds:**

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. These funds include Carver, Social Services, and E-911.

#### **Component Unit - School Fund:**

This fund reflects revenues and expenditures related to the operations of the County's public school system. The primary sources of revenue, exclusive of transfers from the General Fund, are basic school aid payments from the Commonwealth and educational program grants. Major expenditures include instructional costs and fixed charges.

#### **Component Unit – Other School Funds (self-sustaining):**

This is a separate fund used for limited expenditures due to legal or regulatory provisions and are self-sustaining or self-supporting. These funds require minimal transfers, if any, from the General Fund and are primarily funded by the federal and state categorical funds, fees, and grants. Example of this fund is the Food Services Fund.

### **Capital Projects Funds:**

Capital Projects Funds are used to account for financial resources used for the acquisition, design, development and/or construction of major capital facilities (other than those financed by Proprietary Funds).

### **Debt Service Fund:**

The **Debt Service Fund** accounts for the accumulation of resources for, and the payment of, School long-term debt principal, interest, and related charges. Debt service expenditures are funded by transfers from the General Fund.

## **Proprietary Fund Types**

Proprietary Funds are used to account for the County's on-going organizations and activities that are similar to those often found in the private sector. Proprietary Funds utilize the accrual basis of accounting. The following are the County's proprietary fund types:

### **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 the costs (expenses including depreciation) of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The County does not budget depreciation expenses in enterprise funds although they are recorded and reported in the annual financial report. Enterprise funds include the Airport, Landfill and Water & Sewer.

**Water and Sewer Fund:** This fund accounts for the operation, maintenance and construction of the County's water and sewer systems. Charges for services represent one source of operating revenue; General Fund loans and transfers are also utilized for funding sources. Salaries and wages, contractual services, and depreciation are the major expenditures of the fund.

**Landfill Fund:** This fund accounts for the activities of the County's landfill. Charges for services represent the major source of operating revenue, along with transfers from the General Fund. Salaries and wages, contractual services, and depreciation are the major expenditures of the fund.

**Airport Fund:** This fund accounts for the activities of the County's airport. Charges for services represent the major source of operating revenue. Salaries and wages, contractual services, and depreciation are the major expenditures of the fund.

## **Basis of Budgeting**

Budgets for all funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP) applicable to governmental units.

The budgets of governmental type funds are prepared on a modified accrual basis. Briefly, this means that assets are recorded when measurable and available to finance operations during the year; expenditures, other than compensated absences and interest on long-term debt, are recorded as the related fund liabilities are incurred.

According, real and personal property taxes are recorded as revenues and receivables when billed,

net of allowances for uncollectable amounts. Taxes collected during the year and taxes due on June 30, collected within 60 days after that day are recognized as revenue. (Property taxes not collected within 60 days after year-end are reflected as deferred revenues). Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the county, are recognized as revenues and receivable upon collection by the state or utility, which is general 30 to 60 days preceding receipt by the County. Licenses, permits, fines and rents are recorded as revenue when received. Intergovernmental revenues consisting primarily of federal, state and other grants for the purpose of funding specific expenditures are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants, such as entitlement programs, are recognized in the period to which the grant applies.

Compensated absences are recorded as a general long-term obligation when incurred and recorded as an expenditure of the appropriate fund when paid. Interest on general long-term debt is recognized when due except for the amount due on July 1, which is accrued.

## **Operating Budget Policy**

### **1) General:**

The operating budget is intended to implement the Board's service priorities and vision for the County; and mandated services at the greatest possible value to the citizens.

The annual budget will be prepared consistent with guidelines established by the Government Finance Officers Association (GFOA).

The budget is a plan for raising and allocating resources to enable efficient and effective delivery of needed services. The budget shall be structured to allow the public to readily see the relationship between revenues, expenditures and the achievement of service objectives.

The goal of the County is to fund all recurring expenditures with revenues and to use non-recurring revenues only for non-recurring expenses.

It is important that a positive unassigned fund balance in the General Fund and a positive cash balance in all governmental funds be shown at the end of each fiscal year.

When revenue shortfalls are apparent in a fiscal year, spending during the fiscal year must be reduced sufficiently to offset the current year revenue shortfall.

The County will maintain budgetary controls so as to ensure adherence to the budget.

The County will maintain fund balances sufficient to avoid the necessity of tax anticipation borrowing.

### **2) Budget preparation:**

The operating budget preparation process is conducted to allow decisions to be made regarding anticipated resource levels and expenditure requirements for the levels and types of services to be provided in the upcoming fiscal year. The following budget procedures will insure that orderly and equitable appropriation of those resources:

- a) Operating budget requests are initiated at the department level within target guidelines set by the County Administrator.
- b) In formulating budget requests, priority will be given to maintaining the current level of services. New services will be funded through the identification of new resources or the reallocation of existing resources.
- c) Proposed program expansions above existing service levels must be submitted as a budgetary increment requiring detailed justification. Every proposed program expansion will be scrutinized on the basis of its relationship to the health, safety, and welfare of the community, to include analysis of long-term fiscal impacts.
- d) Proposed new programs also must be submitted as budgetary increments requiring detailed justification. New programs will be evaluated on the same basis as program expansions, to include analysis of long-term fiscal impacts.

### **Operating Budget Policy (cont):**

- e) Performance measurements and productivity indicators will be integrated into the budget process as appropriate.
- f) Each year the County will reassess services and service levels, utilizing a zero-based budgeting process.

### **3) Budget adoption:**

- a) At the 1<sup>st</sup> regular meeting in May, the County Board of Supervisors adopts the budget by resolution and funds are appropriated generally at the department level for the General Fund and at the major category level for the School Operating Fund, through passage of an appropriation resolution.
- b) Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency Funds. Budgets are legally adopted annually for the County's General Fund; School Operating Fund
- c) A budget is adopted for each grant or project in the Special Revenue Funds, and the County Capital Projects Funds. Projects are appropriated in total for each fiscal year. The budget resolution specifies that the budget and appropriation for each grant or project continue until the expiration of the grant or completion of the project. All other appropriations lapse at year-end. The level of control at which expenditures may not legally exceed appropriations is at the: department level for the General Fund; major category level for the School Operating Fund; project level in the County Capital Projects Fund or in the School Capital Projects Fund.
- d) Although legal restrictions on expenditures are established at the department or activity level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets.
- e) At all times the County will maintain compliance with the Code of Virginia in appropriating, advertising public notices, ordinance changes, requests for referendums and any other legal restrictions imposed upon localities.

## **Operating Budget Policy (cont):**

### **4) Budget Amendments:**

Changes to the approved operating budget during the fiscal year can be accomplished in any of the following ways:

- a) Included with the appropriation resolution is approval for the re-appropriation of all encumbered balances and on-going capital project unencumbered balances at fiscal year-end.
- b) The County Administrator is authorized to transfer up to \$10,000, except for the Education Funds, with the following requiring approval of the Board of Supervisors:
  - i. Transfer(s) for any one item, function or project that exceeds \$10,000.
  - ii. All revenue transfers, excluding insurance recoveries.
- c) Per the Code of Virginia, any additional appropriation which increases the total budget by more than or 1% of the total budget to be advertised for a public hearing at least seven days prior to the Board of Supervisors approval of transfer.
- d) All transfers requiring Board of Supervisors' approval that have been initiated from Community Services or Social Services must have the Community Services Board or Social Services Board, as applicable, approve the transfer prior to presentation to the Board of Supervisors.

## **Capital Budget Policy**

The Board of Supervisors will adopt an annual capital budget in accordance with an adopted five-year Capital Improvements Plan.

- a) CIP is a plan for capital expenditures and a means of financing facilities, equipment and vehicles during the next five years.
- b) For each project presented, the total cost, and the potential financing method will be determined and presented.
- c) The County will coordinate the development of the capital budget with the development of the operating budget so that future operating costs (including personnel, capital outlay and annual debt service) associated with new capital projects will be projected and included in the operating budget.
- d) The county will continue to inventory capital facilities and estimate remaining useful life and replacement costs. Upon completion of the capital project, remaining appropriated funds in that project will be returned to the unassigned Capital Project Fund. Any transfer of remaining funds from one project to another must be approved by the Board of Supervisors.

## Capital Improvement Policy

The Capital Improvement Plan (CIP) is a five-year schedule prepared for capital projects in the County. It is required to forecast capital outlays for the upcoming fiscal year and the ensuing four years. The information provided in the CIP is useful for projecting future revenue needs and setting funding priorities. It is also a valuable planning tool for the preparation of the County budget.

The CIP is intended to advise the Board of Supervisors so better decisions can be made regarding capital expenditures. It is not intended to be used so particular capital projects can reserve funding. The County's CIP is its plan for capital expenditures over the upcoming five years. Capital expenditures/projects are defined in general as the purchase or construction of long-lived, high-cost, tangible assets.

- ◆ "Long-lived" implies a useful life in excess of five years.
- ◆ "High-cost" means that the project amounts to at least \$50,000.
- ◆ "Tangible" assets exclude contractual services except those that are necessary for putting a tangible asset into service.

The CIP is updated on an annual basis, so capital projects can be removed when they are completed or as priorities change. Once adopted, capital project priorities may change throughout the year based on changing circumstances. It is also possible that particular projects may not be funded during the year that is indicated in the CIP. The status of any project becomes increasingly uncertain the further in the future it is projected.

Section 15.2-2239 of the Code of Virginia assigns the Planning Commission with the responsibility of evaluating capital outlay projects to determine if they conform to the Comprehensive Plan. Projects that compose the CIP are submitted by department heads to the Director of Planning & Zoning. Once all of the projects are compiled, a draft of the CIP is presented to the County Administrator and Finance Director for review. The CIP is then forwarded to the Planning Commission for their review. Specifically, the projects are reviewed with considerations regarding health, safety and the general welfare of the public. Department heads are asked to formally present their CIP requests to the Planning Commission. Final recommendations of the Planning Commission are then forwarded to the Board of Supervisors for approval consideration.

- a) As part of the annual budget process, the first year of the CIP becomes the capital budget. Each project is reviewed by the County Administrator during his review of the operating budget to determine which projects will be presented to the Board of Supervisors for request of funding; most projects, unless specially require debt funding, due to the anticipated cost, are funded through the Unassigned General Fund balance as "pay-as-you-go" items. Other considerations, are the prioritization of the requests to align with the Board of Supervisors vision, as well as prioritization of the projects based on need.
- b) Each year as the annual budget process is underway, the projects which are to be funded in the CIP, are reviewed for manner of funding. Those to be funded as "pay-go," and funded through the unassigned General Fund balance, are not included in the overall proposed expenditures of the budget. Then any excess of operating revenues over operating expenditures, is "set-aside." If the budget is adopted with a "set-aside" amount, those funds are placed into the "Reserve for future capital" line, which is then an "assigned"



### **Capital Improvement Policy (cont):**

portion of the General Fund balance and held for partial or fully funding of future larger CIP projects, as the Board of Supervisors so decides.

- c) Each capital project, once approved and funding appropriated, will be maintained separately within the county's CIP fund. On a continuing basis the Finance Director and the responsible Department head will review the progress of the project and ensure expenditures are remaining within current budgeted amounts; any grant funding secured to cover the project is being properly utilized and requested as necessary; annually each project is reviewed for completeness and if applicable, closeout of the project. Annually the capital projects will be included with operating expenditures as part of the independent audit of the county's financial statements.

### **Asset Maintenance, Replacement and Enhancement Policy**

The County will maintain a system for maintenance, replacement, and enhancement of the County's and School System's physical plant. This system will protect the County's capital investment and minimize future maintenance and replacement costs:

- a) The operating budget will provide for minor and preventive maintenance;
- b) The capital projects budget will provide for the acquisition, construction or total replacement of physical facilities to include additions to existing facilities which increase the square footage or asset value of the facility.
- c) The standard for capitalization of tangible property is \$5,000 or more per unit with an expected useful life greater than one year;
- d) Depreciation is provided over estimated useful lives of assets using the straight-line method. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts; and for Enterprise Funds, the gains or losses are reflected on the income statement. Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations and accumulated depreciation is reported in Proprietary Fund balance sheets.

## Revenue Policy

### **1) Budget:**

The County will try to maintain a diversified and stable revenue structure to shelter it from short-run fluctuations in any one revenue source.

The County will estimate its annual revenues by an objective, analytical process.

Re-assessment of real property will be every 2 years. The county will maintain sound appraisal procedures.

The County will have performed each year an Indirect Cost Allocation Plan to document overhead costs for all county agencies. This will aid in the recovery of indirect costs incurred by the County to support and administer Federal and State grant programs and to provide indirect cost information for the County.

The County will attempt to recover all allowable costs – direct and indirect – associated with the administration and implementation of programs funded through inter-governmental aid. In the case of state and federally mandated programs, the County will attempt to obtain full funding for the service from the governmental entity requiring that the service be provided.

The County where possible, will institute user fees and charges for specialized programs and services in the County. Rates will be established to recover operational as well as overhead or indirect costs and capital or debt service costs. Fees will be regularly reviewed and updated.

The County will regularly review user fee charges and related expenditures to determine if pre-established recovery goals are being met.

The County will monitor all taxes to ensure that they are equitably administered and that collections are timely and accurate. The overall policy is not to raise tax rates and to do so only in cases where the County must meet legal mandates, fund specific capital projects, or when a revenue source is significantly diminished or lost.

The County will follow an aggressive policy of collecting tax revenues, through the efforts of the County Treasurer. The annual levy of uncollected current property taxes should not exceed 5% unless caused by conditions beyond the control of the County.

The County will regularly identify all inter-governmental aid funding possibilities. However, before applying for, or accepting either state or federal funding, the County will assess the merits of the program as if it were being funded with local tax dollars. No grant will be accepted that will incur management and reporting costs greater than the grant. Further, local tax dollars will not be used to make up for losses of inter-governmental aid without first reviewing the program and its merits as a budgetary increment.

## **Revenue Policy (cont):**

### **2) Use of One-Time Revenues:**

- a) The County will pay for all current operating expenditures with current revenues.
- b) The County will avoid budgetary procedures that balance current expenditures at the cost of meeting future years' expenses, such as postponing expenditures, accruing future years' revenues, or rolling over short-term debt.
- c) The County will limit the use of one-time revenues to one-time expenditures such as non-recurring capital projects.

### **3) County Grant Requests:**

The following is intended to guide the County Administrator, all departments, agencies, and others acting through the County government in the processing, application for, and receipt of grant funds from outside sources.

#### **1) Application for Grants**

- a) Grants not requiring matching funding or additional personnel do not require prior Board approval for application, but will require Board approval for acceptance and appropriation. Notification of such application shall be promptly given to the Board.
- b) Grants requiring matching funding or additional personnel with deadlines occurring less than 30 days from announcement and/or prior to a regular meeting of the Board may be approved for application by the County Administrator. Board approval will be required for acceptance and appropriation. Notification of such application shall be promptly given to the Board.
- c) All other grants shall not be accepted until approved by majority vote of the Board.
- d) Grants not requiring Board or Administrative signature approval are not affected by this policy.
- e) A copy of all grants is to be sent to the Finance Department.

#### **2) Conditions of Approval**

- a) Grants coming under this policy may be subject to additional conditions not set out herein, subject to the determination of the Board of Supervisors.
- b) All grants for agencies, departments, or others not under the direct supervision of the Board shall require the agreement of the requesting entity to process all paperwork, forward applications and any other required documents or certification necessary for the proper application for funds. As directed by the Administrator, appropriate County staff will monitor funds and sign all necessary forms required for the property accounting and financial administration of the grant.
- c) All grants for agencies, departments, or others not under the direct supervision of the Board shall require a signed written agreement or certification on the Board's written record of its meetings that the individual heading the department, agency or other office will follow all requirements and regulations of the grant agency, and that they agree to conform to this policy.

## **Revenue Policy (cont):**

### **County Grant Requests (Cont):**

#### **3) Elimination of Grant Positions/Termination of Employees**

Any position funded in whole or in part by the proceeds of a grant is subject to elimination in the event the grant proceeds funding the position are not received by the County for any reasons. If a position is eliminated, any employee filling such a position is subject to immediate termination and has no rights under the grievance procedure. Upon employment, such employees shall be given written notice to that effect.

## **Expenditure Policy**

### **1) Debt Policy:**

The County will not use short-term borrowing to finance operating needs. The County will manage its financial resources in a way that prevents borrowing to meet working capital needs.

The County will confine long-term borrowing and capital leases to capital improvements or projects that cannot be financed by current revenues.

The maturity of any debt will not exceed the expected useful life of the project for which the debt is issued.

Each project proposed for financing through debt issuance will have an analysis performed for review of tax impact and future operating costs associated with the project and debt issuance.

Recognizing the importance of underlying debt to its overall financial condition, the County will set target debt ratios which will be calculated each fiscal year in conjunction with the budget process and audit:

- a) Debt as a percentage of Total Assessed Value will not exceed 3.5%.
- b) Debt service as a percentage of General Governmental Expenditures (includes General Fund, Human Services, School Fund and Debt Service) will not exceed 10%.

The County's debt offering documents will provide full and complete public disclosure of financial condition and operating results and other pertinent credit information in compliance with municipal finance industry standards for similar issues.

At a minimum, all issuances of debt require approval and appropriation of the proceeds by the Board of Supervisors with additional approvals, if applicable, indicated in the following types of debt.

The County will maintain regular communications with the bond rating agencies about its financial condition and will provide requested information in a timely manner. The County will follow a policy of full disclosure on every financial report including the Official Statements related to bond issues.

## **Expenditure Policy (cont):**

### **2) Operating/Capital Expenditure Accountability:**

- 1) The County will establish and maintain a high standard of accounting practices.
- 2) The County will prepare regular quarterly and annual financial reports which present a summary of activity by major fund types and compare actual revenues and expenditures to budgeted amounts, which will be presented to the Rules Committee and available to all Board of Supervisor members.
- 3) The accounting system will maintain records on a basis consistent with accepted standards for local government accounting.
- 4) Where possible, the reporting system will also provide quarterly information on the total cost of specific services by type of expenditure and, if necessary, by fund.
- 5) An independent public accounting firm will perform an annual audit and will publicly issue a financial opinion.

### **Fund Balance Policy**

The County does not intend, as a common practice, to use General Fund equity (unassigned fund balance) to finance current operations. Sound financial management principles include the establishment of a fund balance sufficient to maintain required cash flows and provide reserves for unanticipated expenditures, revenue shortfalls and other specific uses.

The County desires to maintain the financial operation of the County in a manner consistent with sound financial management principles including guidelines and criteria established by rating agencies and bond insurance firms.

Fund balance is the difference between assets and liabilities reported in the governmental funds. It serves as a measure of financial resources available for current operations. Pursuant to GASB (Governmental Accounting Standards Board) Statement No. 54, the County is required to report five components of fund balance - non-spendable, restricted, committed, assigned and unassigned.

- 1) Non-spendable: In any fund includes amounts that cannot be spent because the funds are either not in spendable form such as pre-paid expenditures and inventories or legally contracted to be maintained intact such as principal of a permanent fund or capital of a revolving loan fund. Non-spendable fund balance is not available for appropriation.
- 2) Restricted: In any fund includes amounts that are subject to externally enforceable legal restrictions set by creditors, grantors, contributors, federal or state law, or adopted policies regarding special revenue funds.

## **Fund Balance Policy (cont.)**

The following three categories of Fund balance – Committed, Assigned and Unassigned are considered Unrestricted Fund balance.

- 1) Committed: In any fund are resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Supervisors. Constraints may only be removed or changed by taking the same action previously committing these amounts.
- 2) Assigned: In any fund the portion of the fund balance intended to be used for a specific purpose expressed by the Board of Supervisors or official to which the Board has delegated the authority to assign amounts (ie. County Administrator).
- 3) Unassigned: In any fund the portion of the unrestricted fund balance that has not been committed or assigned for other uses; therefore it is available to spend in future periods.

The County sets the following as the minimum General Fund balance available:

- a) Balance shall be at all times at least equal to 10% of the General Fund's total budget and not to exceed 15% of the General Fund's total budgeted operating revenues with budgeted operating revenues defined as the subsequent fiscal year's total budget net of prior year revenues designated to fund current year operating budget.
- b) The first 7.5% of the required reserve shall be to provide for cash flow reserves during the fiscal year due to the timing difference between the receipt of revenues and disbursement of expenditures.
- c) The second portion of the required reserve shall range from 2.5% to 7.5% for the purpose of unanticipated expenditures with a recommended percentage selected by the Board of Supervisors.
- d) Any balances greater than 15% of the General Fund's total budgeted operating revenues or greater than the recommended percentage between 10% and 15% shall be reserved for contingencies and shall remain reserved until appropriation by the Board of Supervisors.

Appropriations from the fund balance below the minimum of ten percent (10%) of operating reserve shall occur only in the event of emergency needs as approved by the Board of Supervisors.

The fund balance will be evaluated during the annual budget process. It will be the goal of the Board of Supervisors to adopt a budget that maintains the target established herein.

Annually, at the conclusion of the audit, if the County does not meet its targeted fund balance, a compliance plan shall be submitted to the Board for approval which will require meeting this policy by the end of the subsequent year.

## **Fund Balance Policy (cont.)**

When both restricted resources and other resources are available to be used for the same purpose, it is the County's policy to use restricted resources first and then use committed, assigned and unassigned fund balance as they are needed.

Fund Categories:

General Fund – The County's general operating fund which accounts for all governmental activities unless required to be accounted for in another fund.

Capital Projects Fund – Fund balances in the Capital Projects Funds are maintained to support the projects adopted in the fund. The balances in these funds are either committed or assigned for specific purpose. Annually cash transfers are made from the supporting operating fund for projects that are approved as cash basis. Debt proceeds are maintained in the Capital Projects Fund for those projects funded with debt. The fund balance in these funds minimizes any potential liability for the General Fund.

Special Revenue Funds – Any revenue in excess of expenditures is retained in these funds. If expenditures are approved in excess of revenues the General Fund will bear the cost. The fund balance target established for the General Fund takes this potential liability in account.

School Operating Fund – the School Operating Fund does not maintain a fund balance. At each fiscal year end if revenues exceed expenditures, the surplus reverts to the General Fund. The General Fund is the primary support of the School Operating Fund. In the event, the Schools experience revenue shortfalls or increased costs of operation, the General Fund may be impacted. The fund balance target established for the General Fund takes this liability into account.

Debt Service Fund – the Debt Service Fund provides for the payment of debt service, both principal and interest, to fund capital projects. In the event debt service expenditures exceed budget, the General Fund will be impacted. The fund balance established for the General Fund takes this liability into account.

Proprietary Funds – The County currently has 3 Proprietary Funds – Airport, Landfill, Water & Sewer. These operations are intended to be self-sufficient. As such, the charges for services should be adjusted to cover any deficits. In the event of deficits, the General Fund may transfer or loan (with an appropriate repayment schedule) funding to cover these deficits. The fund balance target established for the General Fund takes this liability into account.

## **Accounting, Auditing and Financial Reporting Policy**

The County will establish and maintain a high standard of accounting practices in conformance with uniform financial reporting in Virginia and Generally Accepted Accounting Principles (GAAP) for governmental entities as promulgated by the Governmental Auditing Standards Board (GASB).

The County's financial accounting system will maintain records on a basis consistent with accepted standards for local government accounting (according to GASB).

### **Accounting, Auditing and Financial Reporting Policy (cont):**

The County's annual financial reports will present a summary of financial activity by governmental fund and all funds respectively.

The County will engage an independent firm of certified public accountants to perform an annual financial and compliance audit according to Generally Accepted Auditing Standards (GAAS); Government Auditing Standards issued by the Comptroller General of the United States; and Specifications for Audit of Counties, Cities and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The County will have these accountants publicly issue various opinions which will be incorporated in the Comprehensive Annual Financial Report (CAFR).

The County will annually seek the Government Finance Officer Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting.

### **Risk Management Policy**

The County will protect its assets by maintaining adequate insurance coverage through either commercial insurance or risk management pooling arrangements with other governmental entities.

The County will reserve an amount adequate to insulate itself from predictable losses when risk cannot be diverted through conventional methods.

### **Investment Policy**

The County, through the efforts of the County Treasurer will maintain an investment policy that provides for the safety, liquidity and yield of the County funds. County Treasurer adopted policy attached – adopted 8/14/07.

Financial policies by the Board of Supervisors, January 6, 1998.

Debt policy amended, May 3, 2005

Grant policy added, June 5, 2007.

Grant policy amended, January 5, 2010.

All policies revised, September 3, 2013

Grant policy amended, September 4, 2018

Proposed revision, \_\_/\_\_/2022