

View and participate in this meeting live online by following this link:
<https://va-goochlandcounty.civicplus.com/1154>

**FEBRUARY 6, 2024 @ 3:00 PM
ROOM 270
GOOCHLAND COUNTY ADMINISTRATION BUILDING
1800 SANDY HOOK RD., GOOCHLAND, VA 23063**

- I. CALL TO ORDER; VICTOR CARPENTER
- II. REVIEW FINANCE & AUDIT COMMITTEE CHARTER PG 2
- III. ELECTION OF OFFICERS; VICTOR CARPENTER
- IV. APPROVAL OF MINUTES FROM DECEMBER 5, 2023 PG 3-4
- V. REQUEST FOR PROPOSAL OUT FOR NEW AUDITORS
LINK: <https://www.goochlandva.us/bids.aspx?bidID=142>
- VI. REVIEW GOOCHLAND FINANCIAL POLICIES PG 5-15
- VII. FY2024 2ND QUARTER PROJECTIONS PG 16
- VIII. OTHER BUSINESS
- IX. PUBLIC COMMENT
- X. ADJOURNMENT TO 1:00 PM MAY 7, 2024

PURPOSE

The Finance & Audit Committee's purpose is to assist the Board of Supervisors in fulfilling its oversight responsibilities for financial reporting, financial policies, internal control systems, and audit processes.

MEMBERSHIP

The Finance & Audit Committee consists of three Board members to be appointed annually by the Board of Supervisors at their January organizational meeting, **the County Administrator, and the Director of Financial Services**. The Finance & Audit Committee will communicate activities of the committee to other Board of Supervisors members. The Finance & Audit Committee shall meet quarterly and minutes of the meetings shall be taken and maintained. Staff support may include representatives from Finance, the Schools Administration, the Treasurer's Office, and the Commissioner of Revenue's Office, per the preferences of the members of the Committee.

RESPONSIBILITIES

Representative responsibilities include:

1. Financial Statements
 - a. Review quarterly financial statements submitted by the Finance Department.
 - b. Review annual financial statements and the results of the independent audit.
 - c. Request regular/periodic financial reports, adjustments, budget amendments, transfers, or potential areas of concern, as needed.
 - d. Review and monitor debt service; general obligation bonds, industrial revenue bonds and special purpose financing.
2. Audit
 - a. Consider the independent auditor's proposed audit scope and approach and provide input on areas for special attention.
 - b. Recommend appointment, reappointment, or dismissal of independent auditors to the Board of Supervisors.
 - c. Review the independent auditor's findings and recommendations, together with management's responses, regarding internal controls.
3. Policies
 - a. Monitor any areas of concern regarding internal controls over financial reporting, as needed, including monitoring and compliance with federal and state grants if any.
 - b. Review financial policies as needed.
 - c. Annually at the first meeting following the Board of Supervisor's reorganization, a new Chair and Vice Chair will be elected. Current officers will stay in until the election occurs.

**Goochland County
Finance and Audit Committee
Regular Meeting Action Minutes**

Full transcript can be found at: <https://va-goochlandcounty.civicplus.com/1154/County-Meetings>

**December 5, 2023 @ 1:00 PM
Administration Building
1800 Sandy Hook Road, Goochland VA 23063
Board Meeting Room**

View meeting archive at: <https://va-goochlandcounty.civicplus.com/1154/County-Meetings>

The Goochland County Finance and Audit Committee (FAAC) meeting was held on December 5, 2023, at 1:00 PM in the Board Meeting Room. Voting members present:

District 5 Supervisor, Ken Peterson, Chairman
District 4 Supervisor, Charlie Vaughters
District 2 Supervisor, Neil Spoonhower
County Administrator, Victor Carpenter
Director of Financial Services, Carla Cave

- I. Mr. Peterson called the meeting to order at 1:00 PM.
- II. Mr. Peterson called for approval of the minutes of the August 1, 2023 meeting. A motion was made to approve the minutes, and the motion was seconded. The motion passed on unanimous vote.
- III. Mr. Peterson moved to the presentation of the FY2023 Annual Comprehensive Financial Report and handed the floor to Mrs. Cave. Mrs. Cave introduced Mike Garber from the County's external auditors PBMares.

Mr. Garber announced the financial statements have been issued with an unmodified opinion. There were no internal control finding or compliance issues. They also issued an unmodified opinion on the Schedule of Federal Awards. There were no issues found, no fraud, no abuse or things of that nature, and no lack of controls.

The County adopted the new accounting policy Subscription Based Information Technology Arrangements (SBITA) which was a hassle, and lot work for all their clients and ended up with no adjustments to any financial statements which was frustrating. The next few years there are very few things to implement.

There were no audit adjustments proposed by the auditors and no auditor adjustments that were not made, it was a good clean job by Finance.

The next huge project is GASB is completely rewriting how the financial statements are done and redoing the entire presentation document. They claim it's going to make it simpler and it's a few years away.

- IV. Mr. Peterson and Mrs. Cave discussed our auditors and that we will be going out for bid January-February time frame.
- V. Mr. Peterson handed the floor to Mrs. Cave to present the FY2024 1st quarter projected results and fund balance changes. Revenues slightly higher due to real estate tax and interest. A little over \$1 million to be returned by departments primarily based on current year vacancies. With transfers to CIP and additional funding requests predicting a net change in fund balance of \$200,000.
- VI. Mr. Peterson gave the floor to Mrs. Cave to discuss the changes to the financial policies and for approval to the Board. Mrs. Cave reviewed the changes.
- Change to the operating budget policies added the word structurally balanced budget operating expenditures equal total operating revenue; therefore, excludes any use of fund balance, debt issuance, or transfer to the Capital Improvements Programs for non-maintenance costs.
 - Capital improvement budget policies add identify revenue sources for 5 year plan.
 - Fund balance reserve policies added available fund balance definition which is the total of the assigned and unassigned fund balance. Balance should be between 55% and 65% , with a target of 60% of the total annual adopted general fund budget of the subsequent fiscal year, plus the non-local portion of the school operating fund budget. Target is an advisement with the credit rating agencies to maintain the County's AAA bond rating.
- Mr. Peterson suggested change wording to:
- Target is consistent with the amounts shown to the agencies when we attained the AAA rating.
- Revenue stabilization wording changed third or fourth quarter forecasted to actual, and 1/5% decline changed to 3% of revenues collected at the same period in time one year prior. Real estate assessments are forecast changed to have decreased.
- Mr. Peterson asked for a motion; motion made to recommend to the Board of Supervisors the committee approved Financial Policy, as amended. Motion seconded and approved by unanimous vote.
- VII. Mr. Peterson asked for other business and gave a presentation on inflation. The federal government has run trillion dollar deficits for the last 20 years. That's the source of inflation.
- VIII. Mr. Peterson asked for public comment.
- Citizen asked Mike mentioned a couple of acronyms. What does OPED mean? Mrs. Cave responded other post-employment benefits.
 - Citizen asked what does MD&A mean? Mrs. Cave responded management discussion and analysis.
 - Citizen asked what's the difference between withdrawal and draw down. Mr. Peterson said it's talking about fund balance.
 - Citizen thanked the committee for putting the County of the straight and narrow.
 - Mr. Spoonhower thanked Mr. Peterson for his leadership in getting the County to this financial condition.
- IX. A motion was made to adjourn to February 6, 2024, at 1:00 PM, the motion was seconded and passed.



Financial Management Policies

GOOCHLAND COUNTY VIRGINIA

Adopted: November 6, 2013
Amended: August 5, 2014
Amended: September 5, 2017
Amended: May 1, 2018
Amended: August 4, 2020
Amended: December 5, 2023

TABLE OF CONTENTS

	<u>Page</u>
Policy Objectives	3
Operating Budget Policies	4
Capital Improvement Budget Policies	5
Debt Policies	6
Reserve Policies	7
Revenue Policies	9
Travel and Business Expense Policies	11

FINANCIAL MANAGEMENT POLICIES - OBJECTIVES

The financial management policies are the guidelines and goals that will influence and guide the financial management practice of Goochland County. Financial policies that are adopted, adhered to, and regularly reviewed are recognized as the cornerstone of sound financial management. Effective financial management policies:

- Contribute significantly to the County's ability to insulate itself from fiscal crisis and economic disruption,
- Enhance short term and long term financial credit ability by helping to achieve and maintain the highest credit and bond ratings possible,
- Promote long-term financial stability by establishing clear and consistent guidelines,
- Direct attention to the total financial picture of the County rather than single issue areas,
- Promote the view of linking long-run financial planning with day to day operations, and
- Provide the Board of Supervisors and the citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

To these ends, the following financial management policies are presented and effective January 1, 2024.

OPERATING BUDGET POLICIES

1. The County will develop the annual Operating Budget in conjunction with a stated program of performance objectives and measures with which to gauge progress toward meeting those objectives.
2. To enhance financial planning, the County will prepare an annual structurally balanced budget with a second year of projections of general fund revenues and expenditures available for review. Further, long range forecasts will be included for years three through five which consider the impact of projects in the Capital Improvement Program.
3. The Board of Supervisors will adopt an annual structurally balanced budget. A structurally balanced budget is a budget with total operating expenditures equal to total operating revenues and therefore excludes any use of fund balance, debt issuance, or transfer to the Capital Improvements Program for non-maintenance costs. Should the County need to use the revenue stabilization funds due to a qualifying economic downturn (see page 8, Revenue Stabilization Reserve policy), this use may qualify as a one-time use of operating revenue.
4. One-time or other special revenues will not be used to finance continuing County operations but instead will be used for funding items of a non-recurring nature.
5. Budget Monitoring: the monitoring of revenues and expenditures is an ongoing process. During the fiscal year, a quarterly update of general fund revenues and expenditures will be provided to the Board of Supervisors and the public.

CAPITAL IMPROVEMENT BUDGET POLICIES

1. The County will consider capital improvements in accordance with an adopted capital improvement program.
2. The County will develop and identify revenue sources for a five-year plan for capital improvements to be reviewed and updated each year as part of a twenty-five year plan.
3. The County will enact an annual capital budget based on the capital improvement plan. The first year of the plan will represent appropriation of revenues and expenditures; the next four years of the plan will be approved for planning purposes.
4. The County will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.
5. The County will project its equipment replacement and maintenance needs as part of the capital improvement process. From this projection, a maintenance and replacement schedule will be developed.
6. The County will identify the estimated costs for all 25 years and potential funding sources for the first five years of each capital project proposal.
7. The County will attempt to determine the least costly and most flexible financing method for all new projects.

DEBT POLICIES

1. The County will utilize a balanced approach to capital funding utilizing debt financing, draws on capital reserves and/or fund balances that exceed policy targets, and “pay-as-you-go” appropriations. Pay-as-you-go appropriations will be adopted as part of the operating budget.
2. When the County finances capital improvements or other projects by issuing bonds, or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project.
3. In the Commonwealth of Virginia, there is no statutory limitation on the amount of debt a County can issue. The County has set its own debt ratio guidelines as part of sound financial management practices. Debt ratios will be annually calculated and included in the review of financial trends. The County will comply with the following debt ratio guidelines:
 - a) Net debt as a percentage of taxable assessed value of real estate shall not exceed 2.5%. Net debt shall be defined to include bond issuance directly supported by the general fund. Projects such as the VRA obligation for the Tuckahoe Creek Service District which is supported by a dedicated stream of revenues (separate ad valorem tax and revenue sharing agreement) or other self-supporting obligations will not be included. To the extent that the County provides general fund support, the proportionate share of the debt that the County is supporting will be included in this ratio.
 - b) The ratio of debt service expenditures as a percent of total general fund expenditures (including transfers to other funds) shall have a target of 10%, with a ceiling of 12%. As discussed in section 3a, debt with either a dedicated stream of revenues or self-supporting debt will not be included in the calculation. To the extent that the County provides general fund support (outside of the dedicated revenue stream or revenue sharing agreement), the amount of that support will be included in this ratio.

FUND BALANCE RESERVE POLICIES

DEFINITIONS

Fund balance is the difference between assets and liabilities reported in governmental funds. It serves as a measure of financial resources available for current operations. The Governmental Accounting Standards Board (GASB) prescribes the classifications for components of fund balance. The County shall report governmental fund balances per GASB definitions. These classifications are listed below in descending order of restrictiveness.

1. Nonspendable – amounts that cannot be spent because they are not in spendable form or are not expected to be converted into cash with the current period or at all.
2. Restricted – amounts subject to usage constraints that have either been externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
3. Committed – amounts constrained to use for specific purposes pursuant to formal action of the Board of Supervisors (the Board). The amounts cannot be used for other purposes unless the Board removes or changes the constraints via the same action used to initially commit them.
4. Assigned – amounts intended by the County for use for a specific purpose, but do not meet the criteria to be classified as restricted or committed. The Board can express the intent to assign fund balance. Formal action is not necessary to impose, remove, or modify a constraint in Assigned Fund Balance.
5. Unassigned – amounts that are available for any purpose.
6. Available – the total of amounts assigned as Assigned plus Unassigned fund balance.

MINIMUM FUND BALANCE(S)

UNASSIGNED

The County's unassigned fund balance at the close of each fiscal year should be at least 20%, with a target of 25%, of the total annual adopted general fund budget of the subsequent fiscal year, plus the non-local portion of the school operating fund budget. The general fund budget includes the transfer to the Schools, Debt Service, and other transfers from the general fund.

In the event of an emergency or other global purpose for the benefit of the County, the County Board may, from time-to-time, appropriate unassigned fund balances that will reduce available fund balances below the 20% policy. In such circumstances, the Board will replenish the available fund balance to the policy level within the next three fiscal years from the date of draw down.

AVAILABLE

The County's available fund balance consists of all assigned plus unassigned fund balances. At the close of each fiscal year, this balance should be between 55% and 65%, with a target of 60%, of the total annual adopted general fund budget of the subsequent fiscal year, plus the non-local portion of the school operating fund budget. This target is consistent with the amounts shown to the credit rating agencies when the County obtained its Aaa bond rating. While this target may appear relatively high, a higher percentage of a budget is necessary for a smaller county such as Goochland than for a larger County, as a high-dollar disaster is a larger percentage of a smaller budget.

REVENUE STABILIZATION RESERVE

The County will maintain a Revenue Stabilization Reserve of 3% of the total annual adopted general fund budget of the subsequent fiscal year, plus the non-local portion of the school operating fund budget.

The Board may draw down the Revenue Stabilization Reserve only if:

1. Current fiscal year - Third or fourth quarter actual general fund revenues, excluding use of prior year fund balance, decline by more than 3% of revenues collected at the same period in time one year prior; or,
2. Subsequent fiscal year - During the annual budget cycle real estate assessments have decreased more than 3.0% over the previous year's assessments.

Withdrawals may not exceed half of the balance in the reserve in any one fiscal year and shall be used in combination with spending cuts. In the event of a draw down, the reserve must be replenished to 3% level within the subsequent 3 fiscal years.

ORDER OF EXPENDITURES OF FUNDS

For any expenditure incurred for purposes for which multiple fund balance categories can be used, the County will utilize funds in the following spending order: restricted, committed, assigned, and unassigned.

REVENUE POLICIES

DIVERSIFICATION OF REVENUES

1. Diversification of revenues is a primary goal of the County.
2. The County does not have a profit motive when setting tax and fee rates. Tax and fee rates are based on the County's cost of services.

ESTABLISHMENT AND MODIFICATION OF FEES

1. Fees will be calculated based on appropriate cost of service delivery.
2. Fees will be reviewed and updated based on criteria defined in revenue regulations.

ACCOUNTS RECEIVABLE COLLECTION

1. Bad Debt Expense - The determination of the need for an allowance for doubtful accounts will be based upon accepted business practices and accounting standards. Write-offs of uncollectable balances will be based on the type of balance (i.e. tax or non-tax balance); the dollar amount outstanding; the length of time delinquent; and the status of standard collection efforts performed.
2. All write-offs require approval of the department head for non-tax balances or the Treasurer for general property tax balances.

FEDERAL, STATE AND PRIVATE GRANTS AND COOPERATIVE AGREEMENTS

1. This portion of the revenue policy prescribes procedures and requirements for the fiscal and program administration of all Federal, state and private grants and cooperative agreements.
2. The purpose of this policy is to: ensure proper oversight of all funds appropriated to the County from federal, state and local governments, non-profit agencies, and private sources; minimize the County's risk of non-compliance with the requirements of grant awards, regulations, and cooperative agreements; ensure proper fiscal administration, accounting, audit and reporting of all grants and cooperative agreements; and ensure proper program management of all grants and cooperative agreements.
3. Applicability - This policy and related Revenue Regulations apply to all grant and cooperative agreement applications prepared and/or submitted by County departments and Constitutional Officers to agencies outside the County government for funds, materials, or equipment to be received and/or administered by the County or by an agency for which the County acts as fiscal agent, including any grant or cooperative agreement funds or items passed through to a sub-recipient.

4. Centralized Responsibility - The County Administrator shall establish underlying revenue regulations and procedures to help ensure that the purposes of this Policy regarding grants and cooperative agreements are met. Responsibility for the overall fiscal management of all County grants and cooperative agreements shall reside in the Department of Financial Services.
5. Decentralized Responsibility - Responsibility for the overall program management of all County grants and cooperative agreements shall reside with the Director or Directors of the Department(s) having functional responsibility for the individual grants or cooperative agreements, or as otherwise delegated by the County Administrator (hereinafter referred to as Senior Program Managers). It shall be the responsibility of the Senior Program Managers and their delegates having program management responsibility for a grant or cooperative agreement to cooperate with and perform all duties prescribed by the Department of Financial Services necessary for the proper fiscal management of all grants and cooperative agreements, and to file all required reports with grantors/agencies on a timely basis.

TRAVEL AND BUSINESS EXPENSE POLICIES

Expenses incurred for County purposes for travel and business by employees, officials or volunteers may be paid or reimbursed in accordance with requirements established by the Internal Revenue Service for an accountable plan in which those amounts are not subject to income taxation, and in compliance with this Policy and related Regulations approved by the County Administrator.

1. Meals and incidental per diem expense for travel shall not exceed the federal per diem rate established for the destination locality by the Internal Revenue Service. The mileage reimbursement rate shall equal that established by the Internal Revenue Service.
2. Allowable expenses for lodging, public transportation and business expenses shall be the actual costs provided they are reasonable.
3. This Policy shall be administered to provide for the most cost effective travel and business activity for the benefit of the County. Expenses may be paid or reimbursed only when they are reasonable and necessary for the conduct of County business, within amounts appropriated by the Board of Supervisors, properly documented, and approved by the appropriate authority.
4. The County Administrator shall interpret and administer this Policy and shall prescribe regulations implementing this Policy and describing additional detailed requirements.

COUNTY PROCUREMENT CARDS

Expenses paid by use of County procurement cards and other methods shall be subject to the same limits and standards of documentation as reimbursed expenses.

County of Goochland, Virginia
General Fund
FY24 Second Quarter Projections

Year Ended June 30, 2024

	Adopted Budget	Final Budget	Year-End Projected	Variance with Final Budget - Positive (Negative)
REVENUES				
Total revenues	\$ 89,143,296	\$ 89,166,727	\$ 91,536,162	\$ 2,369,435
EXPENDITURES				
Current:				
General government administration	7,151,380	7,301,036	7,100,000	201,036
Judicial administration	2,730,171	2,730,171	2,530,000	200,171
Public safety	23,343,943	23,557,519	23,250,000	307,519
General services	4,193,857	4,206,125	4,100,000	106,125
Health and welfare	5,206,474	5,206,474	4,950,000	256,474
Education	27,251,000	27,251,000	26,850,000	401,000
Parks and recreation	1,732,800	1,736,000	1,696,000	40,000
Community development	2,871,823	3,161,223	3,050,000	111,223
Nondepartmental	599,037	515,790	415,790	100,000
Debt service:				
Principal retirement	2,565,000	2,565,000	2,565,000	-
Interest and other fiscal charges	2,290,729	2,290,729	2,290,729	-
Total expenditures	79,936,214	80,521,067	78,797,519	1,723,548
Excess (deficiency) of revenues over (under) expenditures	9,207,082	8,645,660	12,738,643	4,092,983
OTHER FINANCING SOURCES (USES)				
Transfer to Capital Projects Fund	(8,357,082)	(11,248,855)	(11,248,855)	-
Transfer to Office of Children's Services Fund	(850,000)	(850,000)	(600,000)	(250,000)
Total transfers net	(9,207,082)	(12,098,855)	(11,848,855)	(250,000)
Net change in fund balance	-	(3,453,195)	889,788	3,842,983
Fund balance - beginning	-	\$ 56,496,696	\$ 56,496,696	-
Fund balance - ending	\$ -	\$ 53,043,501	\$ 57,386,484	\$ 3,842,983
Nonspendable			300,000	
Restricted			45,860	
Revenue Stabilization			3,250,000	
Assigned			27,178,000	
Unassigned			26,612,624	
Projected Fund balance - ending			<u>\$ 57,386,484</u>	
FINANCIAL POLICY COMPLIANCE				
Target debt policy			10%	
Actual debt service expenditures to total GF expenditures			5.4%	
Unused capacity to target			4.6%	
Target unassigned fund balance target			25%	
Actual unassigned fund balance			25.8%	
Exceed target (favorable variance)			0.8%	
Revenue stabilization policy			3%	
Actual revenue stabilization			3.2%	