



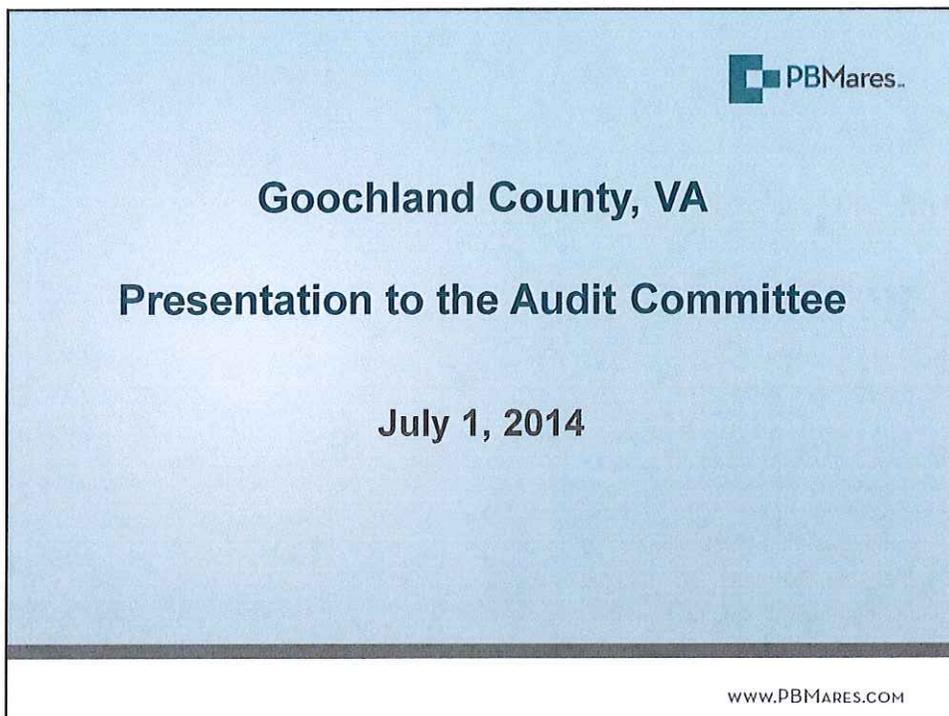
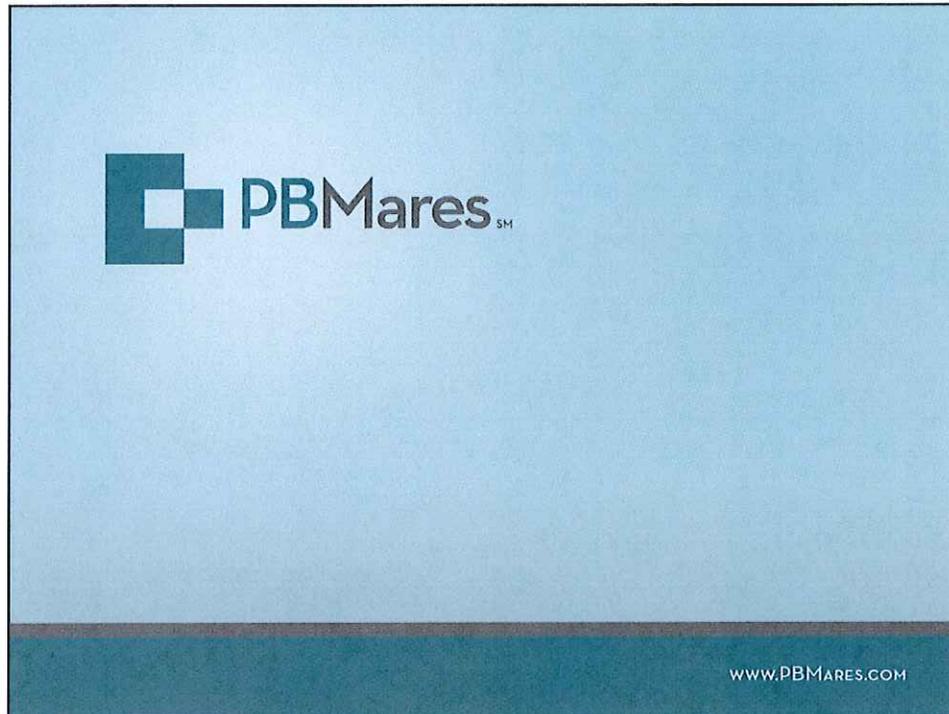
**BOARD OF SUPERVISORS – AUDIT COMMITTEE
JULY 1, 2014 @ 1:30PM
BOARD CONFERENCE ROOM
(INSIDE THE BOARD MEETING ROOM)
GOOCHLAND COUNTY ADMINISTRATION BUILDING
1800 SANDY HOOK RD., GOOCHLAND, VA 23063**

- I. CALL TO ORDER
- II. STAFF ASSIGNMENT FOR MEETING MINUTES
- III. APPROVAL OF MINUTES FROM MARCH 2014 MEETING
- IV. PRESENTATION FROM PBMARES ON FY2014 COUNTY AUDIT
- V. CONSIDERATION OF POTENTIAL CHANGES TO THE COUNTY'S FINANCIAL POLICY GUIDELINES
- VI. TREASURER – INTRODUCTION TO VACO/VML VIRGINIA INVESTMENT POOL (VIP)
- VII. OTHER BUSINESS
- VIII. ADJOURNMENT

**Goochland County
Audit Committee Meeting
March 24, 2014 @ 5:00PM
Administration Building
1800 Sandy Hook Road, Goochland VA 23063
Board Conference Room**

The Goochland County Audit Committee meeting was held on March 24th, at 5:00 pm in the Board Conference Room. Present were Supervisors Peterson, Alvarez, and Lascolette, County Administrator Dickson, as well as Deputy County Administrator Wack.

1. Mr. Alvarez called the meeting to order.
2. After some discussion and nominations, the Committee selected Ms. Lascolette as the Chair, and Mr. Peterson as the Vice-Chair for 2014 on unanimous votes. Ms. Lascolette then presided over the remainder of the meeting.
3. The minutes from the September 2013 and November 2013 meetings were unanimously approved as presented by staff.
4. Mr. Wack then proposed that the Committee consider approving a renewal of the County's external audit contract with PBMares for the FY2014 audit. He noted that staff from the County, Schools, and Community Services all agreed that the FY2013 audit had been completed professionally and timely by PBMares staff, and that the upcoming budget allowed for the requested 4% increase in contractual fees for both the County and (separately) Community Services audits. Some questions were posed regarding the annual audit of the Goochland Fire-Rescue Volunteer Association. Mr. Wack indicated that the Association's audit was not part of the scope of the County's audit, although the most recently completed FY2012 Association audit had been performed by the non-profit group within PBMares. After some discussion, the Committee voted unanimously to recommend that the full Board of Supervisors approve the contract renewal with PBMares.
5. Other Business: None
6. Adjournment (Mr. Wack noted that the next Audit Committee meeting would likely be needed in July in order to "kick-off" the FY2014 audit with PBMares)





July 1, 2014

To the Audit Committee of the Board of Supervisors of the County of Goochland, VA:

It is my pleasure to have the opportunity to present our plan for the 2014 audit to the Committee.

Our focus is very much on how our approach has evolved in response to the County's fiscal 2014 environment and general economic conditions. Additionally, we have included ongoing risks and our approach to addressing those risks from an audit perspective; our discussion, however, will have a change-based focus. Naturally, to the extent the Committee wishes to expand the discussion we are delighted to respond to any inquiries.

We serve at the pleasure of the Board and it is our commitment to both the Committee and management that we will continue to build a professional relationship that is based on candid feedback and mutual respect. I am delighted to address any questions or comments on our plan or any other matter the Committee wishes to discuss.

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Executive Summary

- The purpose of the audit plan
 - to document the audit planning process
 - communicate to the County Audit Committee and management
 - details of our preliminary approach
 - scope of services to be provided in conducting the various audits and special reports related to the financial statements of the County

- We look forward to ongoing communication as the need arises.

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Our Commitment



- A streamlined team with a local focus and industry expertise
- Hands-on presence by senior members of the engagement team
 - The partners and managers serving you will be on-site throughout the audit process.
- Proactive interaction
- Timely delivery of reports
- Maximum integration of County, Schools and CSB audit teams

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Client Service Team



Client service coordinator – **Mike Garber**
County & CSB manager – **Betsy Hedrick**
Senior In-Charge (County) – **Phil Patterson**
Senior In-Charge (CSB) – **Melissa Mayhew**
Government concurring partner - **Mensel Dean**

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Audit Committee (AC) Oversight

The Audit Committee plays an important role in the County's corporate and operational affairs, with wide-ranging responsibilities regarding auditing, financial reporting, and accountability. We will make inquiry of the Audit Committee's assessment of audit and fraud risk factors as part of our planning procedures.

Planned deliverables to the Audit Committee:

- Independent auditor's report on County's financial statements
- Report to Audit Committee:
 - Management representation letter
 - Internal control letters

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AC Oversight - continued

Scope of Audit Services:

- Audits in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, OMB Circular A-133, and requirements of the Virginia Auditor of Public Accounts for the following:
 - The financial statements of the County as of June 30, 2014, to be included in the year-end CAFR.
 - The financial statements of the Public Schools as of June 30, 2014, to be included in the year-end CAFR.
 - Financial statements of the CSB as of June 30, 2014, to be issued in a separate report.
- Single Audit in accordance with OMB Circular A-133

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AC Oversight - continued



Planned deliverables to the Audit Committee:

- Audit Reports for the County
- Audit Report and Required Compliance Reports for the Single Audit (**High-Risk Auditee** per OMB A-133)
- Agreed-Upon Procedure Reports
 - APA Sheriff Internal Control Report
 - Landfill EPA/DEQ Report
 - APA Transmittal Agreed-Upon Procedures Report
 - Data Collection Form (related to Single Audit)
- Control Deficiency/Management Recommendations Letters (SAS 112)

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Auditor's Responsibility



- The primary objective of our audit is to express an opinion on the fair presentation of the financial statements in accordance with accounting principles generally accepted in the USA.
- We have a responsibility to conduct our audit in accordance with auditing standards generally accepted in the USA and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General on the United States.
- In carrying out this responsibility, we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to obtain reasonable assurance that misstatements, whether caused by error or fraud that are not material to the financial statements are detected.
- We will update our understanding of internal control over financial reporting and compliance with laws, regulations, and provisions of contracts and grant agreements to assess the impact of internal control on determining the nature, timing and extent of audit procedures.

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Audit Approach - Controls



Internal controls and the audit:

- Our review and understanding of the County's system of internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting.
- *Government Auditing Standards* require that we gain an understanding and test internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements.
- OMB Circular A-133 requires the auditor to perform procedures to obtain an understanding of internal control over federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs.

Reliance on internal controls over:

Treasury function	Human resources	Revenue generation
Procurement	Grants management	Capital asset management
Debt administration	Period-end financial reporting process	

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Audit Approach - General



Audit approach:

Our audit approach includes obtaining an understanding of:

- The County's operating environment.
- Internal control and its component elements to assess (1) the effectiveness and efficiency of operations, (2) reliability of financial reporting and (3) compliance with applicable laws and regulations (including OMB Circular A-133).
- Significant changes to the County's information systems.
- Potential risks of material misstatements due to error and/or fraud within the County.
- Reliance on internal controls over processes in which sufficient controls exist.

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Audit Approach - Materiality

Materiality:

The materiality limit is viewed as the maximum aggregate amount, which if detected and not corrected, would cause us to modify our opinion on the financial statements. The materiality limit is an allowance for misstatements that will be detected and not corrected but also for misstatements that may not be detected by the audit. Our assessment of materiality throughout the audit will be based on **both** *quantitative* and *qualitative* considerations. Misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods. At the end of the audit, we will inform you of all individual unrecorded misstatements aggregated by us, if any.

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Fraud Inquiries

- Identify and understand the factors that can lead to fraudulent financial reporting
- Assess risk of fraudulent financial reporting
- Design and implement internal controls for prevention or detection
- Statement on Auditing Standards (SAS) No. 99, *Consideration of Fraud in a Financial Statement Audit*, establishes and provides guidance to auditors to assess that the financial statements are not materially misstated due to fraud
- Management is responsible for implementing systems that prevent fraud

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New GASB Pronouncements

- GASB 65, *Items Previously Reported as Assets and Liabilities*
 - *Deferred outflows*
 - *Prepaid items*
 - *Deferred inflows*
 - *Property taxes*
- *Bond Issuance costs are removed from SNP*

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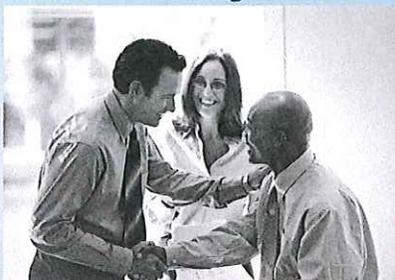
Timeline

- Planning – May at PBMares
- Interim audit activities:
 - County/Schools – completed the week of May 12th
 - CSB – completed the week of May 12th
- Final audit activities:
 - County/Schools – September 29th
 - CSB – September 17th
 - Agreed-upon Procedures:
 - Sheriff – July
 - Transmittal report - November
 - Landfill – November/December
 - Other reports
 - Data collection form - December

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Thank you!



We appreciate your time and attention.

We are happy to answer any questions you have at this time.

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July 1, 2014 **PBMARES, LLP**
PRELIMINARY
DRAFT COPY
SUBJECT TO REVISION

To the Audit Committee
County of Goochland, Virginia
1800 Sandy Hook Road
Goochland, Virginia 23063

This letter is intended to communicate certain matters related to the planned scope and timing of our audit of the County of Goochland, Virginia's (the County) financial statements and compliance as of and for the year ended June 30, 2014.

Communication

Effective two-way communication between our Firm and the members of the Audit Committee is important to understanding matters related to the audit and in developing a constructive working relationship.

Your insights may assist us in understanding the County and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events. We will discuss with you your oversight of the effectiveness of internal control and any areas where you request additional procedures to be undertaken. We expect that you will timely communicate with us any matters you consider relevant to the audit. Such matters might include strategic decisions that may significantly affect the nature, timing and extent of audit procedures, your suspicion or detection of fraud or abuse, or any concerns you may have about the integrity or competence of senior management.

We will timely communicate to you any fraud involving senior management and other fraud that causes a material misstatement of the financial statements, illegal acts, instances of noncompliance, or abuse that come to our attention (unless they are clearly inconsequential), and disagreements with management and other serious difficulties encountered in performing the audit. We also will communicate to you and to management any significant deficiencies or material weaknesses in internal control that become known to us during the course of the audit. Other matters arising from the audit that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process will be communicated to you in writing after the audit.

Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence. For example, without our permission, no partner or professional employee of PBMares, LLP is permitted to have any direct financial interest or a material indirect financial interest in a client or any affiliates of a client. Also, if an immediate family member or close relative of a partner or professional employee is employed by a client in a key position, the incident must be reported and resolved in accordance with firm policy. In addition, our policies restrict certain non-audit services that may be provided by PBMares, LLP and require audit clients to accept certain responsibilities in connection with the provision of permitted non-attest services.

Audit Planning Process

Our audit approach places a strong emphasis on obtaining an understanding of how the County functions. This enables us to identify key audit components and tailor our procedures to the unique aspects of the County. The development of a specific audit plan will begin by meeting with you and with management to obtain an understanding of business objectives, strategies, risks, and performance.

As part of updating our understanding of the County and its environment, we will update our understanding of internal control. We will use this understanding to identify risks of material misstatement and noncompliance, which will provide us with a basis for designing and implementing responses to the assessed risks of material misstatement and noncompliance. We will also obtain an understanding of the users of the financial statements in order to establish an overall materiality level for audit purposes. We will conduct formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error or to instances of noncompliance, including abuse.

The Concept of Materiality in Planning and Executing the Audit

We apply the concept of materiality both in planning and performing the audit, evaluating the effect of identified misstatements or noncompliance on the audit, and the effect of uncorrected misstatements, if any, on the financial statements, in forming the opinion in our report on the financial statements and in determining or reporting in accordance with *Government Auditing Standards* and other compliance reporting requirements. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. We establish performance materiality at an amount less than materiality for the financial statements as a whole to allow for the risk of misstatements that may not be detected by the audit. We use performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. Our assessment of materiality throughout the audit will be based on quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods. We will accumulate misstatements identified during the audit, other than those that are clearly trivial. At the end of the audit, we will inform you of all individual unrecorded misstatements aggregated by us in connection with our evaluation of our audit test results.

Our Approach to Internal Control and Compliance Relevant to the Audit

Our audit of the financial statements, including noncompliance, will include updating our understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Our review and understanding of the County's internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

**PBMARES, LLP
PRELIMINARY
DRAFT COPY
SUBJECT TO REVISION**

We will issue reports on internal control related to the financial statements and major programs. These reports describe the scope of testing of internal control and the results of our tests of internal controls. Our reports on internal control will include any significant deficiencies and material weaknesses in the system of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with the requirements of the *Government Auditing Standards* issued by the Comptroller General of the United States, the Single Audit Act, the U.S. Office of Management and Budget, (OMB) Circular No. A-133, and the *Specifications for Audits of Counties, Cities, and Towns* provided by the Auditor of Public Accounts for the Commonwealth of Virginia.

We will issue reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements and any noncompliance which could have a direct and material effect on each major program. Our reports on compliance will address material errors, fraud, abuse, violations of compliance requirements and other responsibilities imposed by state and federal statutes and regulations and assumed contracts; and any state or federal grant, entitlement or loan program questioned costs of which we become aware, consistent with the requirements of the standards, circular and specifications identified above.

Timing of the Audit

We have completed preliminary audit fieldwork and final fieldwork will commence the week of September 29, 2014. Management's adherence to its closing schedule and timely completion of information used by us in performance of the audit is essential to timely completion of the audit.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to the County.

This communication is intended solely for the information and use of the members of the Audit Committee of the County and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

PBMares, LLP
PBMARES, LLP
PRELIMINARY
MICHAEL A. GARBER
SUBJECT TO REVISION
Michael A. Garber, Partner

MAG/bds

Financial Policy Guidelines

For:

**GOOCHLAND COUNTY
VIRGINIA**

For Consideration: August 5, 2014

FINANCIAL POLICY GUIDELINES

County of Goochland, Virginia
August 2014

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FINANCIAL POLICY GUIDELINES

County of Goochland, Virginia

August 2014

FISCAL POLICY GUIDELINES - OBJECTIVES

This fiscal policy is a statement of the guidelines and goals that will influence and guide the financial management practice of Goochland County. A fiscal policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. Effective fiscal policy:

- Contributes significantly to the County's ability to insulate itself from fiscal crisis,
- Enhances short term and long term financial credit ability by helping to achieve the highest credit and bond ratings possible,
- Promotes long-term financial stability by establishing clear and consistent guidelines,
- Directs attention to the total financial picture of the County rather than single issue areas,
- Promotes the view of linking long-run financial planning with day to day operations, and
- Provides 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 fiscal policy statements are presented.

FINANCIAL POLICY GUIDELINES - *Continued*

County of Goochland, Virginia

August 2014

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. In order to enhance financial planning, the County will prepare an annual budget with a second year of projections of general fund revenues and expenditures. Further, long range forecasts will be included for years three through five which take into account the impact of projects in the Capital Improvement Program.
3. The County will adopt an annual balanced budget. A balanced budget is a budget with total expenditures equal to total revenues, including use of fund balance.
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.

FINANCIAL POLICY GUIDELINES - *Continued*
County of Goochland, Virginia
August 2014

CAPITAL IMPROVEMENT BUDGET POLICIES

1. The County will consider capital improvements in accordance with an adopted capital improvement program.
2. The County will develop a five or six-year plan for capital improvements to be reviewed and updated each year.
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; future 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 and potential funding sources for each capital project proposal.
7. The County will attempt to determine the least costly and most flexible financing method for all new projects.

FINANCIAL POLICY GUIDELINES - *Continued*

County of Goochland, Virginia

August 2014

DEBT POLICIES

1. The County will utilize a balanced approach to capital funding utilizing debt financing, draws on capital reserves and/or fund balances in excess of 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 estimated market value of taxable property should not exceed 2.75%. Net debt is to include general obligation, capital leases, and enterprise fund revenue bonds, including accreted interest.
 - b) The ratio of debt service expenditures as a percent of total general fund expenditures (including transfers to other funds) should not exceed 12%. Limiting debt service expenditures in this way provides flexibility for other expenses in the budget.

FINANCIAL POLICY GUIDELINES - *Continued*

County of Goochland, Virginia
August 2014

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 intent can be expressed by the Board. 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.

MINIMUM FUND BALANCE

Unassigned fund balances at the close of each fiscal year should be at least 20% 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.

The County Board may, from time-to-time, appropriate unassigned fund balances that will reduce available fund balances below the 20% policy for the purposes of a declared fiscal emergency or other such global purpose for the benefit of the County. In such circumstances, the Board will adopt a plan to restore the available fund balances to the policy level within 36 months from the date of the appropriation. If restoration cannot be

accomplished within such time period without severe hardship to the County, then the Board will establish a different but appropriate time period.

REVENUE STABILIZATION RESERVE

The County will maintain a Revenue Stabilization Reserve of at least 1% 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 in the event that general fund revenues excluding use of prior year fund balance decline by more than 3% of the current fiscal year budget. In the event of a draw down, the Board will adopt a plan to restore the reserve to the policy level within 36 months from the date of the appropriation.

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.

Financial Policy Guidelines

For:

GOOCHLAND COUNTY VIRGINIA

Adopted: November 6, 2013
For Consideration: August 5, 2014

FINANCIAL POLICY GUIDELINES

County of Goochland, Virginia

~~November 2013~~ August 2014

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FINANCIAL POLICY GUIDELINES

County of Goochland, Virginia

~~November 2013~~ August 2014

FISCAL POLICY GUIDELINES - OBJECTIVES

This fiscal policy is a statement of the guidelines and goals that will influence and guide the financial management practice of Goochland County. A fiscal policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. Effective fiscal policy:

- Contributes significantly to the County's ability to insulate itself from fiscal crisis,
- Enhances short term and long term financial credit ability by helping to achieve the highest credit and bond ratings possible,
- Promotes long-term financial stability by establishing clear and consistent guidelines,
- Directs attention to the total financial picture of the County rather than single issue areas,
- Promotes the view of linking long-run financial planning with day to day operations, and
- Provides 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 fiscal policy statements are presented.

FINANCIAL POLICY GUIDELINES - *Continued*

County of Goochland, Virginia

~~November 2013~~ August 2014

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. In order to enhance financial planning, the County will prepare an annual biennial-budget with a second year of projections of general fund revenues and expenditures. Further, long range forecasts will be included for years three through five which take into account the impact of projects in the Capital Improvement Program.

- 2.3. The County will adopt an annual balanced budget. A balanced budget is a budget with total expenditures equal to total revenues, including use of fund balance.

- 3.4. 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.

- 4.5. 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.

FINANCIAL POLICY GUIDELINES - *Continued*

County of Goochland, Virginia

~~November 2013~~ August 2014

CAPITAL IMPROVEMENT BUDGET POLICIES

1. The County will consider capital improvements in accordance with an adopted capital improvement program.
2. The County will develop a five or six-year plan for capital improvements to be reviewed and updated each year.
3. The County will enact an annual capital budget based on the ~~five-year~~ capital improvement plan. The first year of the plan will represent appropriation of revenues and expenditures; future years ~~2-5~~ 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 and potential funding sources for each capital project proposal.
7. The County will attempt to determine the least costly and most flexible financing method for all new projects.

FINANCIAL POLICY GUIDELINES - *Continued*

County of Goochland, Virginia

~~November 2013~~ August 2014

DEBT POLICIES

1. The County will utilize a balanced approach to capital funding utilizing debt financing, draws on capital reserves and/or fund balances in excess of 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.

- ~~2.3.~~ 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. Target 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) 3.~~ Net debt as a percentage of estimated market value of taxable property should not exceed 2.5075%. Net debt is to include general obligation, capital leases, and enterprise fund revenue bonds, including accreted interest. Net debt as of 6/30/12 was 2.25%.

 - ~~b) 4.~~ The ratio of debt service expenditures as a percent of total general fund expenditures (including transfers to other funds) should not exceed 12%. Limiting debt service expenditures in this way provides flexibility for other expenses in the budget. The County's estimated debt service as a percent of general fund expenditures as of 6/30/12 was 10.3%.

FINANCIAL POLICY GUIDELINES - *Continued*

County of Goochland, Virginia

~~November 2013~~ August 2014

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 intent can be expressed by the Board. 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.

MINIMUM FUND BALANCE

Unassigned fund balances at the close of each fiscal year should be at least 20% 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.

The County Board may, from time-to-time, appropriate ~~undesignated-unassigned~~ fund balances that will reduce available fund balances below the 20% policy for the purposes of a declared fiscal emergency or other such global purpose for the benefit of the County. In such circumstances, the Board will adopt a plan to restore the available fund balances

to the policy level within 36 months from the date of the appropriation. If restoration cannot be accomplished within such time period without severe hardship to the County, then the Board will establish a different but appropriate time period.

REVENUE STABILIZATION RESERVE

The County will maintain a Revenue Stabilization Reserve of at least 1% 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 in the event that general fund revenues excluding use of prior year fund balance decline by more than 3% of the current fiscal year budget. In the event of a draw down, the Board will adopt a plan to restore the reserve to the policy level within 36 months from the date of the appropriation.

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.