



Financial Management Policies

**GOOCHLAND COUNTY
VIRGINIA**

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FINANCIAL MANAGEMENT POLICIES

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FINANCIAL MANAGEMENT POLICIES

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.

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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 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 consider the impact of projects in the Capital Improvement Program.
3. The Board of Supervisors 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.

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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 minimum five-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.

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DEBT POLICIES

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

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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.

MINIMUM FUND BALANCE

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.

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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 forecasted general fund revenues, excluding use of prior year fund balance, decline by more than 1.5%; or,
2. Subsequent fiscal year - During the annual budget cycle real estate assessments are forecast to decrease 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 with 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.

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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

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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.

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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.