



BOARD OF SUPERVISORS FINANCE AND AUDIT COMMITTEE

**MAY 5, 2020 @ 4:00 PM
BOARD CONFERENCE ROOM
(INSIDE THE BOARD MEETING ROOM)
GOOCHLAND COUNTY ADMINISTRATION BUILDING
1800 SANDY HOOK RD., GOOCHLAND, VA 23063**

- I. CALL TO ORDER
- II. ELECTION OF OFFICERS
- III. APPROVAL OF MINUTES FROM FEBRUARY 4, 2020 (PGS 2-3)
- IV. FINANCE & AUDIT COMMITTEE CHARTER (PG 4)
- V. FINANCIAL POLICIES (PGS 5-15)
- VI. FY2020 3RD QUARTER RESULTS & BUDGET AMENDMENTS (PGS 16-18)
- VII. OTHER BUSINESS
- VIII. PUBLIC COMMENT
- IX. ADJOURNMENT TO NEXT MEETING ON AUGUST 4, 2020

Goochland County
Finance and Audit Committee Meeting
February 4, 2020 @ 1:00 PM
Administration Building
1800 Sandy Hook Road, Goochland VA 23063
Board Conference Room

The Goochland County Finance and Audit Committee (FAAC) meeting was held on February 4, 2020 at 1:00 PM in the Board Conference Room. Present were:

District 5 Supervisor Ken Peterson, Interim Chairman FAAC
District 4 Supervisor Don Sharpe
District 2 Supervisor Neil Spoonhower
County Administrator John Budesky
Director of Financial Services Barbara Horlacher
Assistant Director of Financial Services Kathleen Smith
School Chief Financial Officer Debbie White
Pam Duncan, Treasurer
Department of Social Services Kimberly Jefferson
Department of Social Services Beverly Long
2 Citizens

Voting members were Mr. Peterson, Mr. Sharpe, Mr. Spoonhower, Mr. Budesky, and Mrs. Horlacher.

- I. Mr. Peterson called the meeting to order at 1:01 PM and had introductions.
- II. Mr. Peterson announced that due to turn over the election of FAAC officers will be held at the next meeting.
- III. Mr. Peterson asked for comments on the minutes from November 26, 2019. A motion was made to approve the minutes, the motion was seconded, and the motion passed on a unanimous vote.
- IV. Barbara Horlacher described that whenever there is a turnover of a Treasurer, they must undergo two audits: by the Auditor of Public Accounts (APA) and an outside auditor. We used PB Mares for the outside audit. The audit conducted by the APA is referred to as a Treasurers Turnover audit. The results of the Turnover audit were good along with the outside audit, which stated:
 - In our opinion, based on our examination, the schedule and accompanying receipts referred to above present fairly, in all material respects, the assets of Pamela C. Johnson, Treasurer of the County of Goochland, Virginia, turned over to the incoming interim treasurer at June 28, 2019.
 - Pam Duncan spoke to the APA Treasurers Turnover audit and said the results were good as well.
 - Mr. Peterson spoke to the difficulty of these audits and congratulated the Treasurer's office for a job well done.

- V. Mrs. Horlacher presented the Goochland County FY2020 2nd quarter results. Currently we are projecting revenues approximately 3% over budget due to higher property taxes and sales taxes. Expense projections are coming in lower than budget, with a net of approximately \$4 million in excess revenues for the fiscal year (or operating surplus). Transfers to CIP of approximately \$5.5 plus transfer to the Office of Children's services of \$900,000. After these transfers \$2.5 million will come out of the fund balance. Financial policy compliance: 3.9% unused debt service (favorable), 28.0% unassigned fund balance (favorable by 3% to target), Revenue stabilization 3%.

Mrs. Horlacher explained the budget amendments that include \$40,000 from reserve for contingencies and \$31,500 transfers from projects coming in under budget.

Mr. Peterson asked for a motion to recommend approval of the FY2020 2nd quarter results and budget adjustments to the Board of Supervisors (BOS). A motion was made to recommend, the motion was seconded, and the motion passed on a unanimous vote.

- VI. Mrs. Horlacher informed everyone due to the BOS new meeting time of 2:00 PM, the FAAC new meeting time will be 1:00 PM and target to be finished by 1:40 PM.
- VII. Public Comment: Mr. Budesky explained that we are not replacing the roof on the new Fire station 6.
- VIII. Mr. Peterson adjourned the meeting to May 5, 2020.

Goochland County's Finance & Audit Committee

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:

- Consider the independent auditor's proposed audit scope and approach, and provide input on areas for special attention.
- Review annual financial statements and the results of the independent audit.
- Review the independent auditor's findings and recommendations, together with management's responses, regarding internal controls
- Recommend appointment, reappointment, or dismissal of independent auditors to the Board of Supervisors.
- Review quarterly financial statements submitted by the Finance Department
- Request regular/periodic financial reports on potential areas of concern, as needed
- Monitor any areas of concern regarding internal controls over financial reporting, as needed
- Review financial policies as needed
- 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.



Financial Management Policies

**GOOCHLAND COUNTY
VIRGINIA**

Adopted: November 6, 2013

Amended: August 5, 2014

Amended: September 5, 2017

Amended: May 1, 2018

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.

FINANCIAL MANAGEMENT POLICIES

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.

FINANCIAL MANAGEMENT POLICIES

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.

FINANCIAL MANAGEMENT POLICIES

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.

FINANCIAL MANAGEMENT POLICIES

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.

FINANCIAL MANAGEMENT POLICIES

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.

FINANCIAL MANAGEMENT POLICIES

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

FINANCIAL MANAGEMENT POLICIES

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.

FINANCIAL MANAGEMENT POLICIES

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.

FY2020 THIRD QUARTER GENERAL FUND PROJECTION AND BUDGET AMENDMENTS

✓ Vote Record - Action Item 3609						
<input type="checkbox"/> Adopted <input type="checkbox"/> Adopted as Amended <input type="checkbox"/> Defeated <input type="checkbox"/> Tabled <input type="checkbox"/> Withdrawn <input type="checkbox"/> Recommended for Approval <input type="checkbox"/> Recommended for Denial <input type="checkbox"/> Recommended for Approval as Amended <input type="checkbox"/> Deferred <input type="checkbox"/> Consensus of the Board <input type="checkbox"/> Approved <input type="checkbox"/> Tabled by Consensus <input type="checkbox"/> Approved as Amended <input type="checkbox"/> Recusal <input type="checkbox"/> Strike <input type="checkbox"/> No quorum			Yes/Aye	No/Nay	Abstain	Absent
	Susan Lascolette		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Ken Peterson		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	John Lumpkins		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Neil Spoonhower		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Don Sharpe		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Strat Goal 1	Efficient, effective, and transparent government; emphasis on customer service excellence	X
Strat Goal 2	Balanced development that contributes to the welfare of the community and preserves its rural character	
Strat Goal 3	Excellence in Financial Management	X
Strat Goal 4	High Quality Core Services including Education, Public Safety, and Community Health	
Strat Goal 5	Positive Work Environment with a Highly Qualified, Diverse Workforce	

Board Action Requested

After receiving information on the FY2020 Third Quarter Projection, the Board is requested to amend the FY2020 budgets as listed below.

Summary of Information

The Board’s Operating Budget Policy calls for a quarterly update of general fund revenues and expenditures to be provided to the Board and the public. Due to the ongoing changes in the economy related to the coronavirus pandemic, monthly reports will be provided to the Board. Attached is a projection/estimate of FY2020 general fund revenues and expenditures as compared to the FY2020 adopted and amended budgets.

Total revenues for FY2020 are estimated to be \$56.3 million, or \$800,000 under FY2020 budgeted revenues. The decrease over budget is primarily due to lower than expected real and personal property tax collections, sales tax, and interest on bank deposits.

Operating expenditures are forecast to be \$55.8 million, or \$1.2 million below budget. Approval of the following budget amendments is requested:

- Appropriation of \$14,000 in courthouse maintenance funds for ballistic glass panels to be installed at the Judge's desk and in the Clerk of the Court's office.
- Appropriation of \$25,000 in rental funds for overages in the General Services and Grounds Management budgets.
- Accept and appropriate \$23,118 of relief funds provided by the CARES Act to the Fire/EMS budget
- Transfer \$50,000 from reserve for contingency to EMS Technology budget for long-distance one-time true up charge and maintenance contract for the 911 system.

Overall, operating revenues are projected to exceed operating expenditures by approximately \$500,000. After transfers, the total fund balance is projected to decrease \$5.8 million to \$29.7 million.

ATTACHMENTS:

- FY20 3rd qtr May (PDF)

County of Goochland, Virginia

General Fund

FY20 Third Quarter Projections - presented May 5, 2020

Year Ended June 30, 2020

	Adopted Budget	Final Budget	Year-End Projected	Variance with Final Budget - Positive (Negative)
REVENUES				
Total revenues	\$ 57,106,359	\$ 57,172,696	\$ 56,312,870	\$ (859,826)
EXPENDITURES				
Current:				
General government administration	5,533,663	5,592,807	5,502,807	90,000
Judicial administration	1,827,771	1,844,927	1,759,927	85,000
Public safety	12,242,112	12,273,337	11,998,337	275,000
General services	2,687,089	2,691,797	2,691,797	-
Health and welfare	3,995,918	4,055,918	3,970,918	85,000
Education	23,330,000	23,708,118	23,558,118	150,000
Parks and recreation	1,076,259	1,076,259	1,073,759	2,500
Community development	1,891,038	1,893,813	1,770,813	123,000
Debt service:				
Principal retirement	3,330,000	3,330,000	3,058,813	271,187
Interest and other fiscal charges	472,309	472,309	372,494	99,815
Total expenditures	56,386,159	56,939,285	55,757,783	1,181,502
Excess (deficiency) of revenues over (under) expenditures	720,200	233,411	555,087	321,676
OTHER FINANCING SOURCES (USES)				
Transfer to Capital Projects Fund	(4,201,200)	(5,562,822)	(5,562,822)	-
Transfer to Office of Children's Services Fund	(943,000)	(943,000)	(800,000)	143,000
Total transfers net	(5,144,200)	(6,505,822)	(6,362,822)	143,000
Net change in fund balance	(4,424,000)	(6,272,411)	(5,807,735)	464,676
Fund balance - beginning	-	\$ 35,507,026	\$ 35,507,026	-
Fund balance - ending	\$ (4,424,000)	\$ 29,234,615	\$ 29,699,291	\$ 464,676
Nonspendable			797,199	
Restricted			25,583	
Revenue Stabilization			1,922,345	
Assigned			8,204,318	
Unassigned			18,749,846	
Projected Fund balance - ending			\$ 29,699,291	
FINANCIAL POLICY COMPLIANCE				
Policy			10%	
Actual debt service expenditures to total GF expenditures			5.5%	
Unused capacity (favorable variance)			4.5%	
Target unassigned fund balance			25%	
Actual unassigned fund balance			29.5%	
Exceed target (favorable variance)			4.5%	
Revenue stabilization policy			3%	
Actual revenue stabilization			3%	