THE BUDGET PROCESS & POLICIES

PURPOSE OF BUDGETING
The primary purpose of budgeting is to formally convert Albemarle County’s long-range plans and policies into current year services and programs. The budget provides detailed financial information on the costs of services and the expected revenues for the upcoming fiscal year. It provides a framework for setting priorities for services in the upcoming years to meet the needs and requirements of our citizens. The budget process also provides a forum for reviewing progress made in the current year and the levels of service provided by local government.

PUBLISHED BUDGET DOCUMENTS
Each year, the County of Albemarle publishes a variety of documents that detail the financial and operational plans for the upcoming fiscal year. Following is a brief description of each of the documents:

- The Superintendent’s Funding Request is the original request from the school system. This was presented to the School Board on January 18, 2018. This document includes the School Fund and School Special Revenue Funds budgets.

- The School Board’s Funding Request is developed by the School Board after a series of work sessions and a public hearing. The School Board’s budget was approved on February 8, 2018 and will be forwarded to the Board of Supervisors.

- The County Executive’s Recommended Budget contains summary information on the Total County Budget, which includes the General Fund, Special Revenue Funds, School Fund, School Special Revenue Funds, Capital Funds, and Debt Service Funds. This document provides detailed information on the General Fund, General Government Special Revenue Funds, and Debt Service Funds. Detailed information on the School Fund, School Special Revenue Funds, and Capital Funds are found in other documents as noted in this section. The County Executive’s Recommended Budget was presented to the Board of Supervisors on February 16, 2018.

- The Board of Supervisors’ Adopted Budget is developed by the Board of Supervisors after a series of work sessions and public hearings. This document reflects any changes made by the Board of Supervisors to the County Executive’s Recommended Budget and is scheduled to be adopted on April 17, 2018.

- The School Board’s Adopted Budget is the final approved budget for the School Division.

STATE REQUIREMENTS

Requirements for Budget Adoption
The Commonwealth of Virginia requires all localities to meet certain budget guidelines, as outlined in Sections 15.2-2500 to 15.2-2513 of the Code of Virginia (1950), as amended. According to these guidelines, all localities within Virginia must have a fiscal year beginning on July 1 and ending on June 30 and must approve a balanced budget. A balanced budget is one in which the available revenues and appropriated fund balances equal estimated expenditures for a fiscal year. The School Board must approve the School Budget by May 1 or within 15 days of receiving estimates of state funding, whichever occurs later. The Board of Supervisors must approve the operating budget and set the tax rate by July 1 of each year. The adoption of the tax rate requires the Board to hold a public hearing and to advertise this hearing no less than 30 days in advance if the reassessment would result in an increase of one percent or more in the total real property tax levied compared to the prior year’s tax levies. The official appropriation of funds takes place prior to July 1 of each year.

Requirements for Budget Amendment
The process by which the operating budget may be amended is governed by Section 15.2-2507 of the State Code. The budget may be amended to increase the aggregate amount to be appropriated during the current fiscal year, as shown in the currently adopted budget. Any amendment which exceeds one percent of the total revenue shown in the currently adopted budget must be accomplished by publishing a notice of a meeting and public hearing in a newspaper having general circulation in the County at least seven days prior to the meeting date. The notice shall state the County’s intent to amend the budget and include a brief synopsis of the proposed budget amendment. The Board of County Supervisors may adopt the amendment at the advertised meeting, after first providing a public hearing during the meeting on the proposed amendment. Amendments of less than one percent of the total revenue also must be approved by the Board of Supervisors, although no public hearing is required. Appropriations lapse at the end of each fiscal year (June 30) for all funds.
Requirements for Financial Records
The County’s financial records are audited each year by a firm of independent certified public accountants in accordance with the Government Accounting Standards Board. The single audit is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Copies of the annual financial audit are available upon request from the Department of Finance.

PUBLIC PARTICIPATION
Each year, the County develops a schedule of events that describes the dates of public and Board participation in the budget process. The Board is asked to approve the schedule of the budget process in order to establish firm dates for meetings and provide the public with as much notice as possible. A copy of the FY 18 budget calendar is included near the front of this budget document as well as on the County website. The Office of Management and Budget can be contacted during normal working hours by calling (434) 872-4516. Budget information of interest to the public can be found on the County website, www.albemarle.org.

BUDGET CALENDAR
The County’s budget schedule begins in the fall with initial data gathering for the updates to the Two-Year Fiscal Plan, in context of the County’s longer-term Five-Year Financial Planning process. In October, the preliminary projection of revenues and general expenditure assumptions are utilized to update the County’s Five-Year Financial Plan/Two-Year Fiscal Plan which is reviewed by the Board of Supervisors in November and December. The Board’s direction provided to staff during this time period provides guidance for the annual budget development process.

Also, during this time period, general government departments submit baseline budget analyses and requests to the Office of Management and Budget (OMB). In November, OMB staff met with departments to clarify any questions on their baseline budget submissions.

From November through December, staff reviews department and agency requests, develops budget-related inquiries, and updates revenues. Using guidance achieved from the Five-Year Financial Plan and the results of discussions with department staff, the OMB staff develop specific recommendations for a balanced FY 19 budget. By early February, the County Executive makes decisions on the budget recommendations and staff prepares the County Executive’s recommended budget document for FY 19. This budget is scheduled to be presented to the Board of Supervisors on February 16 and a public hearing on the County Executive’s recommendation is scheduled for February 20.

After the public hearing, the Board held work sessions to conduct a detailed review of each area of the budget and to propose specific changes to the County Executive’s recommended budget. After budget changes are agreed upon for the Board of Supervisors’ Proposed budget, a public hearing on the Proposed budget and a public hearing on the tax rate were held. The Board is scheduled to set the tax levy for the calendar year on April 17, 2018 and adopt the operating and capital budgets. The budget is legally enacted through passage of a Resolution of Appropriation prior to July 1, 2018 (the beginning of FY 19).

Once the budget is appropriated, it becomes the legal basis for spending funds to accomplish the programs of each department of the County during the fiscal year. No department or agency may spend in excess of the appropriated amounts. Financial and programmatic monitoring of departmental activities occurs throughout the year to ensure conformity with the adopted budget. The Director of Finance is authorized to transfer amounts between compensation and other operating expenses groups and between divisions within a department. Transfers between expenditure accounts in different departments or funds must be approved by the Board of Supervisors or as described in the Resolution of Appropriation. Procedures governing amendments to the adopted operating budget are described on the previous page.

MAJOR CATEGORIES OF EXPENDITURES
The General Government budget is divided into seven major functional areas: Administration; Judicial; Public Safety; Public Works; Health and Welfare; Parks, Recreation and Culture; and Community Development.

The Administration functional area provides for County policy direction and management through the County Executive’s Office and the Board of Supervisors; information technology and technology support through the Information Technology Department; legal advice from the County Attorney; personnel and organizational development functions from Human Resources; real estate assessment, payroll, tax assessment/collection, accounting, purchasing, and budgeting for the County from the Finance Department; and voter registration by the Department of Voter Registration and Elections.

The Judicial area includes all court-related services ranging from the serving of warrants to prosecution of crimes, as well as court operations. Funding is provided to support each of the local courts including the Circuit Court, the General District Court, and the Juvenile and Domestic Relations District Court. The Clerk of the Court, the Commonwealth’s Attorney, and the Sheriff are also funded in this functional area.
Public Safety includes all police services such as patrol, investigations, and animal control through the County Police Department; fire rescue services such as emergency fire rescue services provided by the County Department of Fire Rescue and the volunteer fire companies and rescue squads; building inspections division of Community Development; Emergency Communications (E-911), the Juvenile Detention Home, the Regional Jail, and funding for other local public safety-related agencies, such as the Society for the Prevention of Cruelty to Animals (SPCA).

Public Works includes the Facilities and Environmental Services (FES) Department which provides maintenance of County buildings, custodial services, operation of the copy center, support of the solid waste and recycling program, and storm water management. In addition, the FES Department includes a Project Management Division, which oversees all County capital projects.

The Health and Welfare functional area includes the Department of Social Services, the Health District which provides local public health services, the Region Ten Community Services Board, and funding for many local human service agencies. The services provided include oversight and implementation of state and federal social programs, the provision of mental health services, outreach services, transportation services, services for the elderly, and funding for other local social benefits.

The Parks, Recreation and Cultural functional area includes the Parks and Recreation Department, the regional library, and funding for various local cultural and recreational agencies. The services provided include County park operations and maintenance, summer swimming programs, community centers, teen programs, athletic programs, and resources for local agencies such as the Charlottesville Albemarle Convention and Visitors Bureau, and the Virginia Film Festival.

The final functional area is Community Development which includes the following programs: Community Development Administration, Planning, E-911/Planning, and Zoning and Engineering. In addition, VPI Extension Service, Thomas Jefferson Soil and Water Conservation District, and community agencies such as the Charlottesville Area Transit (CAT) and Albemarle Housing Improvement Program (AHIP) fall under this functional area.
FUND STRUCTURE

The budget of the County is organized on the basis of fund classifications, each of which is considered to be a separate accounting and reporting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses.

There are three major types of funds:

1. GOVERNMENTAL FUND TYPES

Governmental funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. Governmental funds utilize the modified accrual basis of accounting where the measurement focus is on financial position and changes in financial position, rather than upon net income determination. The individual Governmental Funds are:

- The General Fund accounts for all revenues and expenditures applicable to the general operations of the County that are not accounted for in other funds. The General Fund is the main operating account of the County and therefore, the largest of the governmental funds. This fund include most traditional local government programs such as police, libraries, parks, human services, etc. The General Fund also includes transfer payments to the School, County debt service, and capital improvement funds.

- The School Fund reflects revenues and expenditures related to the operation of the County’s school system. The primary sources of revenue, exclusive of transfers from the General Fund, are basic aid payments from the Commonwealth and educational program grants. Major expenditures include instructional costs and transportation.

- Other School Funds are separate funds that are used for limited expenditures due to legal or regulatory provisions. These funds require minimal transfers from the General Fund and are primarily funded by federal and state categorical funds, fees, and grants. Examples of these funds are the Food Services Fund and the Community Education Fund.

- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than those dedicated to the General Fund) that are legally restricted to expenditures for specific purposes. Special Revenue Funds include state/federal grant funds, Children’s Services Act, and the Tourism Fund.

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

- The Capital Improvement Funds account for financial resources used for the acquisition, construction or maintenance of capital facilities and consist of the General Government Capital Improvement Fund, the School Division Capital Improvement Fund, and the Storm Water Management Fund. Funding for capital projects is derived from various sources such as borrowed funds, transfers from the General Fund, School Fund, Tourism Fund, and other federal, state, and local revenues.

2. FIDUCIARY FUNDS (TRUST AND AGENCY FUNDS)

These funds account for assets held by the County in a trustee or custodial capacity on behalf of others. Fiduciary Funds include non-expendable trust funds, such as the McIntire Trust Fund, held by the government under the terms of a formal trust agreement; and agency funds, such as the HUD Family Self-Sufficiency Fund, which are used to account for assets that the County holds for others in an agency (custodial) capacity. These funds are reported in the Comprehensive Annual Financial Report (CAFR) but are not included in the budget document.

3. PROPRIETARY FUNDS

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Internal Service Funds.
WHICH FUNDS ARE INCLUDED IN THIS BUDGET DOCUMENT?

The County’s operating budget document primarily addresses budgets for general government operations and of the General Fund, along with a summary of the debt service and capital improvement funds. The operating budget document includes several special revenue funds and other funds that receive transfers from the operating budget, including the Tourism Fund, the Bright Stars Fund, and the Children’s Services Act (CSA) Fund. The County’s Five-Year Capital Improvement Program (CIP) and Capital Needs Assessment are also included in the document. An itemized and complete financial balance sheet for the County as well as a comprehensive statement of revenue disbursements, liabilities, reserves, and surplus or deficit of all funds subject to appropriation are contained in the CAFR, published separately by the Department of Finance. Other special revenue funds, internal service funds, and trust and agency funds are summarized in the County’s annual financial report.

The Budget for School Division Operations and School Self-Sustaining Funds details are not included in this document since the School Division produces its own budget document which describes these programs. Copies of the School Budget document are available from the County Superintendent of Schools and the information is also available online on the County’s website, albemarle.org.

BASIS OF BUDGETING & ACCOUNTING

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

Governmental Funds utilize the modified accrual basis of accounting and budgeting, under which revenues and related assets are recorded when measurable and available to finance operations during the year; expenditures, other than compensated absences and interest on long-term debt, are recorded as the related fund liabilities are incurred.

Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectable amounts. Taxes collected during the year and taxes due on June 30, collected within 45 days after that date, are recognized as revenue. (Property taxes not collected within 45 days after year-end are reflected as deferred revenues). Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the State or utility, which is generally 30 to 60 days preceding receipt by the County. Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants, such as entitlement programs, are recognized in the period to which the grant applies.

Compensated absences are recorded as a general long-term obligation when incurred and recorded as an expenditure of the appropriate fund when paid. Interest on general long-term debt is recognized when due except for the amount due on July 1, which is accrued.
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STATEMENT OF PURPOSE
The County of Albemarle has a responsibility to its citizens to account for public funds, to manage its finances wisely, and to allocate its resources efficiently and effectively in order to provide the services desired by the public. The primary objective of establishing Financial Management Policies is to provide a framework wherein sound financial decisions may be made for the long-term betterment and stability of Albemarle County. These financial policies also provide guidelines and goals to guide the short- and long-term financial practices of Albemarle County.

POLICY GOALS
A fiscal policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. An effective fiscal policy should:
- Insulate the County from fiscal crises;
- Enhance the County's ability to obtain short-term and long-term financial credit by helping to achieve the highest credit rating and bond rating possible;
- Promote long-term financial stability by establishing clear and consistent guidelines;
- Provide the total financial picture of the County rather than concentrating on single issue areas;
- Provide a link between long-range financial planning and current operations; and
- Provide a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

OPERATING BUDGET POLICIES
The annual budget will be prepared consistent with guidelines established by the Government Finance Officers Association (GFOA) and in accordance with the principles of priority-based budgeting.

The budget must be structured so that the Board and the public can understand the relationship between revenues, expenditures and the achievement of service objectives.

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

The County will maintain an updated fiscal impact model to assess the impact of new development on the future costs of associated County services.

The County will develop and annually update a two (2) year balanced Fiscal Plan and a long range (five-year) Financial Plan. The Financial Plan will include a review of revenue trends and expenditures from the preceding three (3) years, projections of revenues and expenditures, as well as future costs and the financing of capital improvements and other projects that are included in the capital budget.

When revenue shortfalls are anticipated in a fiscal year, spending during that fiscal year must be reduced sufficiently to offset the projected revenue shortfalls.

The County will prepare the capital improvement budget in conjunction with the development of the operating budget in order to assure that the estimated costs and future impact of a capital project on the operating budget will be considered prior to its inclusion in the CIP.

The County shares 60% of the increase or decrease in available shared local tax revenues with the School Board. Available shared local tax revenues are additional or reduced tax revenues that can be used for County and School Division operations after subtracting any increases and adding any decreases in debt service, capital improvement program funding, City of Charlottesville revenue sharing, tax relief for the elderly and disabled, tax refunds and any shared reserves for contingencies. This guideline may be reviewed annually.

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

The General Government operating budget requests are initiated at the department level within target guidelines set by the County Executive. Priorities of resource allocation of divisions within a department are managed at the department level. In formulating budget requests, priority will be given to maintaining the current level of services. New services will be funded through the identification of new resources or the reallocation of existing resources.
Proposed program expansions above existing service levels must be submitted as a budget initiative requiring detailed justification. Every proposed program expansion will be scrutinized based on its relationship to the health, safety and welfare of the community, among other factors, and will include analysis of long-term fiscal impacts.

Proposed new programs must also be submitted as budget initiatives requiring detailed justification. New programs will be evaluated on the same basis as program expansions, to include analysis of long-term fiscal impacts.

Performance measurement and productivity indicators will be integrated into the budget process as appropriate.

The General Government operating budget is approved and appropriated by the County Board of Supervisors at the department level. Total expenditures cannot exceed total appropriations of any department within the General Fund. Changes to the approved operating budget during the fiscal year can be accomplished in any of the following ways:

- Transfers between divisions and non-salary line-item expenditures within General Government departments are approved by the heads of the departments.
- Transfers between expenditure accounts in different departments are approved by the Board of Supervisors or, if specifically delegated by the Board of Supervisors, by the County Executive.
- Encumbered funds for active operational purchase orders will be carried forward into the next fiscal year subject to the approval of the Board of Supervisors.

The Board of Supervisors appropriates School Division funding in accordance with Virginia Code § 22.1-115.

The Board of Supervisors will adopt the operating budget no later than April 30 and will appropriate the budget no later than the first Board meeting in June.

FINANCIAL REPORTING POLICY

The County will provide the Board of Supervisors with quarterly General Fund and School Fund financial reports to include budget-to-actual comparisons, with explanations of General Fund variances that are equal to or greater than 2% and $200,000 in each major revenue and expenditure category; quarterly reports on investments held; quarterly revised General Fund revenue projections reports, quarterly reports of transfers authorized by the County Executive; and a quarterly economic indicators report. The audited Comprehensive Annual Financial Report (CAFR) will be provided to the Board of Supervisors annually before December 31.

CAPITAL BUDGET POLICIES

The County will approve a multi-year capital budget in accordance with an approved Capital Improvements Program. All unspent and unencumbered appropriations allocated for capital projects shall be re-appropriated for completion of the projects. Upon completion of a capital project, the County Executive is authorized to close out the project and transfer any unencumbered unexpended residual funds to the Capital Improvement Fund fund balance.

The Board of Supervisors will accept recommendations from the Planning Commission for the five-year Capital Improvements Program that are consistent with identified needs in the adopted Comprehensive Plan and Capital Facilities Plan.

The County will coordinate the development of the capital budget with the development of the operating budget so that future operating costs, including annual debt service associated with new capital projects, will be projected and included in operating budget forecasts.

Emphasis will continue to be placed upon a viable level of “pay-as-you-go” capital construction to fulfill needs in a Board-approved Capital Improvements Program.

The County believes in funding a significant portion of capital improvements on a cash basis. The County’s goal is that the budgeted net transfer to Capital after debt service would be 3% of General Fund Revenues.

Financing plans for the five-year capital program will be developed based upon a five-year forecast of revenues and expenditures.

The County maintains a capital facilities inventory and estimates remaining useful life and replacement costs.

Upon completion of any capital project, remaining appropriated funds in that project will be returned to the unassigned capital project fund. Any transfer of remaining funds from one project to another must be approved by the Board of Supervisors, or if authorized by the Board of Supervisors, by the County Executive.
The County collaborates with the School Board regarding the development and coordination of the County’s Capital Improvement Program. Collaboration includes the following: a) planning for required capital improvements; b) debt ratio targets; and c) debt issuance schedules.

**ASSET MAINTENANCE, REPLACEMENT, AND ENHANCEMENT POLICIES**

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

- The operating budget will provide for minor and preventive maintenance;
- Within the Capital Improvement Program, the County will maintain a capital plant and equipment maintenance/replacement schedule, which will provide a five-year estimate of the funds necessary to provide for the structural, site, major mechanical/electrical rehabilitation or replacement of the County’s and School Division’s plant requiring a total expenditure of $20,000 or more per project with a useful life of five years or more;
- The County intends to maintain a proper ratio of equity to loan funding, as recommended by the County’s Financial Advisor, for the maintenance/repair and replacement capital improvements that are financed. The County’s desire is to fund the majority of capital maintenance expenses that have an estimated useful life of less than seven years with current revenue.

**REVENUE POLICIES**

Re-assessment of real property will be made every year and will be performed in accordance with Generally Accepted Appraisal Practices and guidelines established by the International Association of Assessing Officers (IAAO).

The County will maintain sound appraisal procedures to keep property values current. The County’s goal is to achieve an annual assessment to sales ratio of at least 95% under current real estate market conditions, when the January 1st assessment is compared to sales in the succeeding calendar year.

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

The County will project its annual revenues and generate its five year forecasts by using an objective, analytical process that is consistent with Government Finance Officers Association (GFOA) best practices.

The County will monitor all taxes to insure that they are equitably administered and that collections are timely and accurate.

The County will follow an aggressive policy of collecting tax revenues. The annual level of uncollected current property taxes should not exceed 4%, unless caused by conditions beyond the County’s control.

To the extent possible, the County shall attempt to decrease its dependency on real estate taxes to finance the County’s operating budget.

The County will, where possible, institute user fees and charges for specialized County programs and services based on benefits and/or privileges granted by the County or based on the cost of a particular service. Rates will be established to recover operational as well as capital or debt service costs.

The County will regularly (at least every three (3) years) review user fee charges and related expenditures to determine if pre-established recovery goals are being met.

The County will identify all inter-governmental aid funding possibilities. However, before applying for or accepting either state or federal funding, the County will assess the merits of the program as if it were to be funded with local dollars. No grant will be accepted that will incur management and reporting costs greater than the grant.

Local tax dollars will not be sed to make up for losses of inter-governmental aid without first reviewing the program and its merits as a budgetary increment.

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

The County will invest County revenue in accordance with the Finance Department Investment Policy to maximize the rate of return while maintaining a low level of risk. The County will invest in conformance with the Virginia Security for Public Deposits Act and all other applicable laws and regulations.

The County will conduct an analysis of cash flow needs at least on an annual basis. Disbursements, collections, and deposits of all funds will be scheduled to insure maximum cash availability and investment potential.

The Director of Finance shall maintain a system of internal controls for investments, which shall be documented in writing and subject to review by the County’s independent auditor.

Contractual consolidated banking services will be reviewed regularly and procured in accordance with the Virginia Public Procurement Act.

ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICIES

The County will establish and maintain a high standard of accounting practices in conformance with the Uniform Financial Reporting Manual of Virginia and Generally Accepted Accounting Principles (GAAP) for governmental entities as promulgated by the Governmental Accounting Standards Board.

Regular quarterly financial statements and annual financial reports will present a summary of financial activity by governmental funds.

An independent firm of certified public accountants will perform an annual financial and compliance audit according to generally accepted auditing standards; Government Auditing Standards issued by the Comptroller General of the United States; and Specifications for Audit of Counties, Cities and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The County will maintain an audit committee comprised of the County Executive, or designee, the Superintendent of Schools, or designee, the Director of Finance, two Board of Supervisors members and one School Board member. The committee’s responsibility will be to review the financial statements and results of the independent audit and to communicate those results to the Board of Supervisors.

The County will annually seek the GFOA Certificate of Achievement for Excellence in Financial Reporting.

DEBT POLICIES

The County will not fund current operations from the proceeds of borrowed funds.

The County will manage its financial resources in a way that prevents borrowing to meet working capital needs.

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

To the extent feasible, any year that the debt service payment falls below its current level, those savings will be used to finance one-time capital needs.

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

Recognizing the importance of underlying debt to its overall financial condition, the County will set target debt ratios, which will be calculated annually and included in the annual review of fiscal trends:

- Net debt as a percentage of the estimated market value of taxable property should not exceed 2%; and
- The ratio of debt service expenditures to General Fund and School Fund revenues should not exceed 10%

The County intends to maintain a 10 year payout ratio at or above 60% at the end of each adopted five-year CIP for tax-supported debt and lease payments. When the County finances capital improvements or other projects through bonds or capital leases, it will repay the debt within a period not to exceed the expected useful life of the projects.

The County will not entertain the use of derivatives as a method of financing debt unless and until such time as the Board of Supervisors adopts a specific derivatives-related policy.
FUND BALANCE OR RESERVE POLICIES
The fund balance is built over years from savings to provide the County with working capital to enable it to finance unforeseen emergencies without borrowing.

The County will maintain a fund balance for cash liquidity purposes that will provide sufficient cash flow to minimize the possibility of short-term tax anticipation borrowing.

The County does not intend, as a common practice, to use General Fund equity (unassigned fund balance) to finance current operations. If circumstances require the use of the unassigned fund balance that causes the balance to fall to a point below the 10% target level, the County will develop a plan during the annual budget adoption process to replenish the unrestricted fund balance to the 10% target level over a period of not more than three (3) years.

At the close of each fiscal year, the unassigned General Fund fund balance, plus the committed fund balance available for fiscal cash liquidity purposes, should be equal to no less than 10% of the County’s total operating revenues, which includes the General Fund plus the School Fund.

In addition to maintaining the 10% target level as described above, at the close of each fiscal year, a target amount equal to 1% of the County’s General Fund revenues shall be reserved as an unassigned Budget Stabilization Reserve. The Budget Stabilization Reserve may be used from time to time as necessary to meet unanticipated one-time emergencies and unanticipated expenditures required to pay operating costs necessary to maintain the quality or level of current services or to smooth/offset revenue fluctuations occurring within a fiscal year.

The County should contribute to Capital Reserve periodically to provide flexibility in meeting debt service and capital requirements and to mitigate tax rate increases related to future capital projects.

The Board of Supervisors may appropriate funds in excess of the unassigned 10% General Fund fund balance policy level and the 1% Budget Stabilization Reserve to the capital improvement program in support of “pay-as-you-go” funding; or for other one-time uses.

At the close of each fiscal year before the County’s audit is complete, all non-appropriated School Operating Fund fund balance will be transferred into the General Fund-School Reserve Fund. The Board of Supervisors will maintain in the General Fund-School Reserve Fund an amount not greater than 2% of the current year’s School Division adopted operating budget. These funds will be available for School Division purposes subject to appropriation by the Board of Supervisors. The Board of Supervisors will transfer any funds in excess of that 2% to the CIP on an annual basis unless otherwise determined by the Board of Supervisors.

The County will also establish targeted fund balances for other County funds, such as the Health Care Fund and the Children’s Services Act Fund (CSA), to meet cash flow needs and to address unexpected expenditure or revenue shortfalls.

GRANTS POLICIES
The County shall seek to obtain grants that are consistent with County priorities. The County will review and update the Grants Administrative Policy on a regular basis, and departments shall follow the procedures contained therein.

Policies Adopted: October 5, 1994 Amended: October 11, 2000; August 1, 2012; March 13, 2013; September 6, 2017, November 1, 2017