FINANCE AND MANAGEMENT SERVICES

Policy Revision Date: December 9, 2015

Contents

1. General Provisions

1-1 Adoption and Application of Policies

The Hanover County Financial Policies (Policies) set forth in this document supersede all previous Financial Policies. These Policies have been approved by the County Administrator and adopted by the Board of Supervisors of Hanover County (County), and shall apply to all County funds and School funds except the School Activity Funds as defined by the Department of Education. Other funds identified by action of the Board of Supervisors may be included in the coverage of these policies.

1-2 Purpose of Policies

A. Accounting: This policy addresses the accounting methods and other related requirements to be used by all covered funds.

B. Audit: This policy provides guidance on the selection of an independent accounting firm to provide opinions and/or reports on the County's financial statements, internal control over financial reporting and compliance with federal and State laws, regulations, contracts and grants. The role of the County's Internal Auditor is defined in this policy.

C. Budget: This policy prescribes procedures and requirements of the budget formulation process, including the adoption of the Five-Year Financial Plan and the Capital Improvements Program (CIP).This budget policy also prescribes procedures and requirements of the budget management process.

D. Debt: This policy establishes the debt issuance and post-issuance compliance guidelines.

E. Deposit and Investment Policy: The Treasurer of Hanover County has established a Detailed Deposit and Investment Policy. The Board of Supervisors has adopted the Detailed Deposit and Investment Policy as a joint policy between the County and the Treasurer. The Detailed Deposit and Investment Policy is subject to amendment by the Treasurer. It is the intent of the Board of Supervisors that such amended Detailed Deposit and Investment Policy will remain a joint policy between the County and the Treasurer, as long as it continues to agree with the overarching Deposit and Investment Objectives outlined below, or until the Board adopts otherwise.

F. Fund Balance and Net Position Policy: This policy establishes guidelines for the appropriate fund balance and net position levels needed to maintain positive financial position.

G. Purchasing Policy: This policy is adopted to guide the County in obtaining high quality goods and services at reasonable cost, in conducting all procurement procedures in a fair and impartial manner with avoidance of any impropriety or appearance of impropriety. The policy provides access to the County's public business for all qualified vendors, and promotes efficient procurement practices among all County departments. The statutes governing the procurement of goods and services from nongovernmental sources are contained in the Virginia Public Procurement Act (*VPPA)* (*Code of Virginia*, § 2.2-4300 et seq.) and Hanover County Code Chapter 2, Article IV.

H. Revenue Policy: This policy establishes measures to maintain control over all revenues (including federal, state and private grants and cooperative agreements), to ensure strong fiscal management. This includes control over revenue budgeting and forecasting, reconciliations, accounts receivable management, compliance with grant awards, regulations and cooperative agreements and general oversight over the various revenues the County collects.

I. Travel and Business Expense Policy: This Policy establishes authority for payment and reimbursement of certain travel and business expenses incurred for County purposes by officials, employees and volunteers. Oversight of the department travel budgets is vested in the department heads, or Chair of the Board of Supervisors, respectively. County business for the purpose of this Policy includes conferences, seminars, workshops, hearings, educational programs, conventions and meetings and other activities which are directly related to or associated with the business of the County, and which provide a substantial benefit to the County.

1-3 <u>Internal Controls</u>

All aspects of accounting and financial reporting shall be subject to proper controls with standard controls documented and followed by all departments.

1-4 <u>Delegation of Authority</u>

The County Board of Supervisors delegates the responsibility for financial and contractual activities and reporting to the County Administrator subject to the limitations and terms included in this policy. In all cases, reference to a County or other official in this policy shall be deemed to include designees of the official. The County Administrator and School Superintendent may designate the Director of Finance and Management Services to be responsible for the financial and contractual reporting functions.

1-5 <u>Ethics</u>

Finance Department staff and all County employees engaged in financial and contractual activities and reporting should be generally familiar with the applicable provisions of the Government Finance Officers Association Code of Professional Ethics and the County Ethics Policy.

A. Purchasing staff and all County employees having official responsibility for a procurement transaction are subject to and should be generally familiar with the provisions of the *VPPA* relative to Ethics in Public Contracting, Article 6 (*Code of Virginia*, § 2.2-4367 et seq.). As used here, "Official Responsibility" means administrative or operating authority, whether intermediate or final, to initiate, approve, disapprove or otherwise affect a procurement transaction, or any claim resulting therefrom.

B. No official or employee shall have a personal interest in a transaction or contract if such interest is prohibited by the *State and Local Government Conflict of Interests Act* (*Code of Virginia*, § 2.2-3100 et seq.). The County Administrator shall endeavor to provide appropriate information regarding these prohibitions to employees and affected volunteers.

1-6 <u>Compliance</u>

Department heads and School Cost Center Managers shall take necessary and prompt action to insure compliance with these Policies within their respective departments.

1-7 <u>Amendment of Policies</u>

These rules may be changed or amended by resolution of the Board of Supervisors.

1-8 <u>Availability of Policies</u>

The Financial Policies shall be maintained by the Director of Finance Management and Services and an electronic copy shall be maintained on the County's website.

2. Accounting Policy

2-1 <u>Financial Statements</u>

A. All activities for which generally accepted accounting principles (GAAP) consider the County to be financially accountable are incorporated into the audited financial statements to form the reporting entity.

B. The year-end financial statements shall be formulated based upon GAAP and the Comprehensive Annual Financial Report (CAFR) will be prepared at the conclusion of the County audit to meet Government Finance Officer Association (GFOA) guidelines.

C. Interim and year-end financial reports shall be presented to the Board of Supervisors (the Board) for each fiscal year.

2-2 <u>Fund Accounting</u>

A. Accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity.

B. Appropriate accruals of revenues and expenditures will be in accordance with GAAP.

C. Purchase orders, contracts, and other commitments for expenditure of moneys are recorded for budget purposes as encumbrances in order to reserve that portion of the appropriation.

D. Board approval is required for the establishment of any new County reporting entity fund that requires an appropriation. The County Administrator authorizes all other funds.

2-3 Capital Assets

A. Tangible capital assets shall be recorded when the unit cost is greater than $5,000, the useful life exceeds five years, and the expenditure meets the GAAP definition of land, building, improvements to building, infrastructure, equipment or other relevant tangible fixed asset class. Intangible assets over $25,000 in value acquired in fiscal year 2010 and future years shall be capitalized when they meet the GAAP definition of a capitalizable intangible asset.

2-4 Donation Acceptance

A. Personal property, monetary and in kind donations:

(i) The department head may authorize acceptance of these donations with an estimated value below $5,000.

(ii) The County Administrator may authorize acceptance of these donations with an estimated value between $5,000 and $50,000.

B. Board of Supervisor's authorization is required for acceptance of these donations with an estimated value greater than $50,000.

2-5 Authorization of Disbursements and Transfers

A. All checks, bank transfers, and disbursements to a non-County account generated by the County and Treasurer's Office will contain dual signatures with one signature representing an authorized signature of the County and the other signature representing an authorized signature of the Treasurer's Office.

B. Manual checks with dual signatures will be issued only in circumstances that are deemed appropriate by the Director of Finance and Management Services.

C. All disbursements of funds will have proper supporting documentation, approval of a department authorized signer, and be filed in a manner to provide the proper audit trail to such disbursement.

D. State tax and fee collections that are administered by the Treasurer's Office are recorded in a separate Commonwealth fund. The Treasurer's transfer of State tax and fee collections to the Commonwealth requires dual signatures, but does not require authorization of both the Treasurer and County.

2-6 Petty Cash

A. Petty cash funds shall be maintained in order to provide timely payment or reimbursement for proper expenses that do not exceed the transaction amount established by the Accounting Regulations.

B. Petty cash change funds shall also be established at cashiering points to provide change for County business transactions.

C. Internal controls shall be followed to ensure the appropriate reconciliations are performed and petty cash is safeguarded.

D. Petty cash balances and locations shall be documented in the Accounting Regulations.

2-7 Record Retention

All records shall be retained, and when required, disposed of in accordance with the Virginia Public Records Act and related schedules.

2-8 Accounting System

Unless otherwise approved by the Board, common accounting systems will be utilized by all covered funds, for all payroll, general ledger, cash receipts, cash disbursements, and other accounting transactions.

3. Audit Policy

3-1 External Auditors

A. External auditors will be selected to perform annual audits through a request for proposal (RFP) process every five years, unless otherwise approved by the Finance Committee.

B. Recommendation of the selection committee is reviewed by the Finance Committee for concurrence prior to Board of Supervisors approval.

C. External auditors will review the Comprehensive Annual Financial Report (CAFR) for submission to the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting.

D. External auditors are responsible for the issuance of any and all required opinions, internal control and compliance reports and management letters in connection with the audit of the financial statements. County assistance will be provided to external auditors in order to produce timely and accurate financial statements and related audit opinions and reports. The external auditor shall coordinate the annual audit objectives with the County's Internal Auditor who may also provide assistance as necessary.

3-2 Internal Audit

A. The mission is to independently ascertain whether the ongoing processes for controlling fiscal and administrative operations throughout the County are adequately designed and functioning in an effective manner.

B. The Internal Audit Department will ensure that:

(i) Resources are adequately protected.

(ii) Significant financial, managerial and operating information is accurate and reliable.

(iii) The actions of employees comply with the County's policies, regulations, procedures and applicable laws and regulations.

C. To provide for the independence of the Internal Audit function, the Internal Audit Department reports functionally to the Finance Committee of the Board of Supervisors and reports administratively to the Deputy County Administrator. The Finance Committee approves the annual Internal Audit Plan and assists in the evaluation of the performance of the Internal Audit Director.

D. The Internal Audit Department also has responsibility to:

(i) Develop an Internal Audit Plan annually and submit that plan to the Finance Committee for approval.

(ii) Consider the scope of work of external auditors for the purpose of providing optimal audit coverage to the County including the contracting with external auditors for annual and as needed audit services.

(iii) Implement the Internal Audit Plan as approved, including any special projects assigned by the Finance Committee and County Administrator.

(iv) Conduct audits in accordance with *Government Auditing Standards*.

(v) Issue periodic reports to the Finance Committee summarizing results of audit activities.

(vi) Communicate audit findings/reports to the appropriate level of management and request a written response.

(vii) Follow-up on corrective action plans to address audit recommendations.

E. The Internal Audit staff is authorized to have access to all of the County's functions, records, property and personnel.

F. The Internal Audit staff will maintain audit documentation in compliance with applicable privacy requirements..

G. The Internal Audit staff may perform special audits for Schools and other audit entities, as directed by the Finance Committee. Audits of Constitutional Officers will require concurrence from the applicable Constitutional Officer.

H. The Internal Audit staff is not authorized to initiate or approve accounting transactions external to the Internal Audit function.

4. Budget Policy

4-1 <u>Budget Calendar</u>

A. The following guidelines will be used in establishing the annual budget calendar:

(i) The proposed operating budget, Capital Improvements Program, and Five-year Financial Plan will be presented by the fourth Wednesday in February.

(ii) Informational budget sessions and workshops will be presented between presentation of proposed budget and adoption of the budget, with special meetings held by the Board if necessary.

(iii) The budget shall be adopted in accordance with applicable statutes.

B. Budget Board meeting dates will be established as part of the Board of Supervisors' Meeting Schedule.

4-2 <u>Budget Guidelines</u>

A. The overall objective of the budget is to provide a balanced financial plan in total and by fund that adheres to the County's mission statement, long range strategic plans and/or current initiatives. A balanced budget is a budget with total expenditures equal to total revenues, including use of fund balance.

B. Initiatives that are presented to the Board of Supervisors should ensure compliance with the mission statement.

C. Annual recurring budget guidelines shall be focused in certain areas, with additional guidelines and/or objectives formulated, if applicable, by the County Administrator in the formulation of the proposed budget.

(i) Priority service levels

a) Education: Provide a funding plan for the Hanover County Schools that maintains favorable student -teacher ratios, provides appropriate instructional materials and provides appropriate capital infrastructure to limit overcrowding.

b) Public Safety: Provide staffing and equipment, for law enforcement and public safety departments to ensure that desired standards can be achieved and maintained in an effective and efficient manner.

(ii) Sound financial management practices

a) Mitigate the tax rate burden upon the citizens and dependency upon the real property tax rate through provision of service delivery in the most efficient and effective manner while maximizing opportunities for additional revenues from non-local tax sources (e.g., State revenues) and diversification of local revenue sources.

b) Prepare and adopt Five-Year Financial Plans and Five-Year Capital Improvements Program to describe funding sources and anticipated expenditures for operating and capital needs.

c) Provide recommendations which include recurring revenue to meet recurring expenses.

d) Ensure adequate reserves, limits on the County's debt burden, and maintenance or improvement of the County's bond ratings.

e) Include general obligation bond funding only if any required referendum is anticipated to be supported by the community.

(iii) Employee compensation

a) Provide adequate employee compensation including consideration of pay for performance increases, salary benchmark adjustments, if applicable, and a comprehensive benefits plan.

b) Ensure that compensation and benefits provided will be market sensitive and enable the County and School system to attract and retain outstanding employees.

D. Public Utilities

(i) Operate a water and wastewater system as a self-supporting enterprise fund that provides high quality and reliable service delivery to customers, including the development of a capital improvement program.

(ii) Limit user and/or capacity fee rate increases to that which is needed to ensure long-term viability of the system.

4-3 Five-Year Capital Improvements Program

A. The Capital Improvements Program is a plan for capital and capital-related expenditures and a means of planning for funding the following throughout the Five-Year Financial Plan:

(i) facilities, equipment, and vehicles with a unit cost greater than $50,000; and,

(ii) purchases for multiple departments that are generally:

a) managed by a single department/agency; or,

b) over $50,000 annually in aggregate.

B. General governmental projects will be funded by General Fund revenues (i.e. "pay as you go funding"). In general at least 10% of the total five-year general government portion of the Capital Improvements Program should be funded by non-debt sources (e.g., General Fund and grants) over the five-year period.

C. In designing a school capital improvement program, formulation of the Capital Improvements Program will illustrate that no individual school is over capacity by 20% for more than three consecutive years and meets the definition of overcrowding per the School regulations without consideration of attendance boundary adjustments or other appropriate measures.

4-4 Five-Year Financial Plan

A. The plan will identify all major budget assumptions, including the anticipated collection of revenues, use of fund balance, expenditures, future operating costs of capital improvements, and proposed changes in service levels and fees.

B. The plan will clearly describe proposed service levels and the means to finance such service levels over the five-year period.

C. Compliance with debt and fund balance polices shall be maintained for each year of the plan.

D. Reserve for Contingencies will be appropriated in the General Fund at an amount equal to at least 0.5% of the General Fund budget, net of capital improvement transfer.

E. Financial plans enable the funds subject to such plans to be managed to maintain financial stability over the long-term by identifying current trends and future challenges; identifying the most appropriate mix of funding sources; analyzing debt options and timing to minimize borrowing costs; encouraging strong fiscal and operational management; and encouraging consistency and financial integrity.

4-5 Public Utilities

A. The costs associated with providing water and wastewater service shall be allocated between service types, uniform for similar types and classes of customers, and separate rates shall be established for each service.

B. Capacity fees and user fees will be established using a generally accepted methodology that includes analysis of revenue requirements, cost of services, rate design and rate implementation impact.

4-6 Budget Adoption

A. The budget adoption resolutions include approval for the reappropriation of all encumbered balances and capital project unencumbered balances at fiscal year-end.

B. All related ordinance changes and other budgetary issues requiring Board of Supervisors approval will be presented to the Board for consideration with the proposed budget adoption.

C. The Adopted Budget Document will be forwarded to the GFOA and other interested parties within 90 days of budget adoption for the Distinguished Budget Award program.

4-7 <u>Budget Amendments</u>

A. Transfer authority is determined based on the following factors:

(i) The dollar amount requested to be transferred.

(ii) The category (personnel, operating, capital, debt or revenue) of funding.

a) For purposes of this section, "capital" is defined as the Capital Improvements Program fund (CIP) as well as capital line items within other funds (i.e. General Fund, Public Utilities).

b) For purposes of this section, "debt" is defined as the principal, interest and issuance costs and other associated debt service related expenses.

(iii) Whether or not the funding will be moved from its original appropriated category to a different category.

(iv) For purposes of this section, transfer authority applies across all funds directed by each respective Board – Board of Supervisors or School Board.

B. Transfers that do not move across categories can be approved in the following manner:

(i) Personnel, Capital, Debt or Revenue Category:

a) Up to $2,000 per month – Department Heads or School Cost Center Managers within their respective department budgets.

b) Up to $10,000 per topic or issue – Director of Finance and Management Services (County funds) and the Assistant Superintendent of Business and Operations (School funds).

c) Any amount over $10,000 per topic or issue must be approved by the County Administrator (County funds) or the School Superintendent (School funds).

(ii) Operating Category:

a) Up to $2,000 per month – Department Heads or School Cost Center Managers within their respective department budgets.

b) Up to $10,000 per topic or issue – Director of Finance and Management Services (County funds) and the Assistant Superintendent of Business and Operations (School funds).

c) Up to $50,000 per topic or issue – County Administrator (County funds) or the School Superintendent (School funds).

d) Operating transfers exceeding $50,000 per topic or issue must be approved by the Board of Supervisors (County funds) or the School Board (School funds).

C. Transfers that cross categories can be approved in the following manner:

(i) Up to $10,000 per topic or issue – Director of Finance and Management Services (County funds) and the Assistant Superintendent of Business and Operations (School funds).

(ii) Up to $50,000 per topic or issue – County Administrator (County funds) or the School Superintendent (School funds).

(iii) All transfers crossing categories and exceeding $50,000 per topic or issue must be approved by the Board of Supervisors (County funds) or the School Board (School funds).

D. Transfers up to $10,000 per topic or issue for any revenue change (e.g., insurance recoveries, grants and gifts) can be approved by the Director of Finance and Management Services (County funds) and the Assistant Superintendent of Business and Operations (School funds). Transfers up to $50,000 per topic or issue for any revenue change can be approved by the County Administrator or the School Superintendent (School funds).

E. Transfers of Reserve for Contingencies to departmental, school cost center, and/or capital budgets can be approved as follows:

(i) Up to $10,000 per topic or issue– County Administrator (County funds) or the School Superintendent (School funds).

(ii) Transfers exceeding $10,000 per topic or issue must be approved by the Board of Supervisors (County funds) or the School Board (School funds).

F. Revenue sources that need to be reclassified as a result of the transfer of directly related expenditures shall be approved under the same authority that governed the transfer of the expense.

G. All transfers that increase the County's total appropriated budget require approval of the Board of Supervisors.

H. Any transfer that increases the total revenues for any of the School Board funds shall require the approval of the Board of Supervisors following approval by the School Board.

I. Public hearings and associated notice for budget amendments will be conducted in accordance with applicable statutes.

4-8 Reappropriation of Balances

A. Both unencumbered and encumbered funds for the Capital Improvements Program, and encumbered funds in departmental budgets, are reappropriated annually by the Board of Supervisors during the budget approval process.

B. Except for those funds reappropriated by the Board, appropriations lapse on June 30.

C. A review of the Capital Improvements Program will be conducted at year end to determine the necessity for reappropriated funds. Those which are determined to be unnecessary will be transferred to other uses, as determined by the County Administrator.

5. Debt Policy

5-1 Issuance Guidelines

A. The County will not use short-term borrowing to finance operating needs.

B. The maturity of any debt will not exceed the expected useful life of the project(s) for which the debt is issued.

C. Debt shall not be incurred which would be an unreasonable burden to residents and taxpayers. Total general governmental debt and debt service expenditures shall not exceed the limits of this policy.

D. Debt ratios for general governmental debt:

(i) Debt as a percentage of assessed value will not exceed 2.5%.

(ii) The debt per capita will not exceed a ratio of $1,900 as of June 30, 2007, growing annually at 2% ($2,227 as of June 30, 2015).

(iii) Debt service as a percentage of general (non-capital) governmental expenditures will not exceed 10%.

(iv) Debt per capita income will not exceed a ratio of $5,000.

For purposes of these debt ratios, contingent obligations of the General Fund extending beyond the current fiscal year incurred subject to annual appropriation (i.e., Support Agreement debt) shall be treated on a par with general obligation debt and will be included in the calculation of debt ratio limits.

E. At least 25% of total debt will be repaid within 5 years and at least 50% of total debt within 10 years.

F. Variable rate debt will be limited to 10% of total outstanding debt.

G. Debt coverage ratios for all Proprietary Fund debt will be in compliance with all debt covenants and all debt coverage ratios will meet or exceed minimum legally required thresholds.

H. The following issuances of debt require approval and appropriation of the proceeds by the Board.

(i) Bond and revenue anticipation notes;

(ii) General obligation bonds;

(iii) VPSA Bonds and State Literary Fund loans;

(iv) Revenue bonds and subject-to-appropriation debt;

(v) Capital acquisition leases and notes;

(vi) Refundings and refinancings, excluding proprietary fund debt that does not require appropriation of debt proceeds;

(vii) Moral obligation debt.

I. In order to seek timely access to market conditions, proposals for refunding and refinancings can be solicited with County Administrator's authorization noting that Board approval is still needed for any issuance of debt.

5-2 <u>Post-Issuance Compliance</u>

A. The Director of Finance and Management Services will oversee post-issuance activities to ensure compliance with federal guidelines and other legal and regulatory requirements.

B. Post-issuance compliance responsibilities include:

(i) Tracking that proceeds of a debt issuance are spent on qualified tax-exempt debt purposes;

(ii) Maintaining detailed records of all expenditures and investments related to debt funds;

(iii) Ensuring that projects financed are used in a manner consistent with the legal requirements; and

(iv) Timely reporting of necessary disclosure information and other required filings.

(v) Monitoring compliance with applicable arbitrage rules and performing required rebate calculations in a timely manner.

C. The Director of Finance and Management Services may consult with bond counsel or other financial advisors or professionals they deem appropriate to meet the requirements of the Debt Policy.

6. Deposit and Investment Policy

6-1 Deposit and Investment Objectives

A. This Deposit and Investment Policy applies to the investment activities of Hanover County, except for investments of the Retiree Medical Benefits Trust.

B. All investable balances shall be invested with the same care, skill, prudence and diligence that a prudent and knowledgeable person would exercise when undertaking an enterprise of like character and aims under circumstances prevailing at that time.

C. Safety - the safeguarding of principle shall be the foremost objective of the investment program by mitigating credit risk and interest rate risk with all other objectives subordinated to the attainment of this objective.

D. Liquidity - the investment portfolio shall be managed at all times with sufficient liquidity to meet all daily and seasonal needs, as well as special projects and other operational requirements either known or which might be reasonably anticipated.

E. Yield - the investment portfolio shall be managed with the objective of obtaining no worse than a fair value rate of return over the course of budgetary and economic cycles, taking into account the above objectives and the cash flows of the County.

6-2 Allowable Investments

A. All investments shall be in compliance at all times with provisions of the Code of Virginia and the Treasurer's Detailed Deposit and Investment Policy.

6-3 Prohibited Securities

A. The following securities shall be expressly prohibited, unless specifically approved in writing by the Treasurer:

(i) Derivative products that include any of the following characteristics: high price volatility, illiquid markets, products that are not market tested, highly leveraged products, products requiring a high degree of sophistication to manage, and products that are difficult to value.

(ii) Reverse repurchase agreements (repos).

6-4 County and Treasurer Internal Controls

A. The County and Treasurer shall maintain a system of internal controls which shall be documented and reviewed with internal and independent auditors and meet the requirements of the Government Accounting Standards Board and other applicable regulators.

B. These controls shall be designed to provide reasonable assurance of loss prevention due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.

C. There shall be a separation of transaction authority from accounting and record keeping with all transaction activity properly documented in the Treasurer's cash receipts system and bank reconciliations to the general ledger performed monthly.

D. Treasurer and County officials involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

E. The Treasurer shall annually update the Board of Supervisors and at least quarterly update County administration on securities held, maturities, investment returns, unrealized gains (loses), comparisons to established benchmarks, market conditions and prevailing investment philosophy.

F. Bank transfers.

(i) Dual authorizations representing the County and the Treasurer shall be in compliance with the Accounting Policy for all transfers that move County funds from a County account to a non-county account (e.g., debt service payments).

(ii) In addition, the Treasurer's Office will have dual processing procedures requiring two people to conduct transfers with County bank accounts.

(iii) All financial institutions used by the County will have written instructions regarding County authorizations for wire transfers, restrictions on accounts funds can be wired and other procedures that will mitigate unauthorized movement of funds (e.g., call-back to independent person, written confirmations, etc.).

7. Fund Balance and Net Position Policy

7-1 All Funds

A. Financial statement presentation of fund balances and net position shall comply with Governmental Accounting Standards Board (GASB) standards.

B. Fund balance will be displayed in the following GASB-defined classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

(i) *Nonspendable fund balance* – amounts that are not in a spendable form, such as inventory, or are required to be maintained intact.

(ii) *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

(iii) *Committed fund balance* – amounts constrained to specific purposes by the County Board of Supervisors (the Board) (its highest level of decision-making authority). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same (highest-level) action to remove or change the constraint.

(iv) *Assigned fund balance* – amounts a government intends to use for a specific purpose, including budgeted use of prior year fund balance.

(v) *Unassigned fund balance* – amounts that are available for any purpose. These amounts are reported only in the General Fund, unless otherwise required by GASB standards.

7-2 Committed Fund Balances

A. In accordance with GASB criteria, unless otherwise established by Board policy, the Board shall pass a resolution to establish any desired committed fund balances for specific purposes. As required by GASB, such policy or resolution shall be established prior to the fiscal year-end, but the amount of such committed fund balances may be determined subsequent to the fiscal year end.

7-3 Assigned Fund Balances (permitted by GASB and applicable to all County Governmental Funds)

A. General Fund

(i) GASB standards define assigned fund balance as any amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed.

B. Special Revenue Funds and Capital Projects Funds

(i) By reporting particular amounts that are not restricted or committed in a special revenue or capital projects fund, the County has assigned those amounts to the purposes of the respective funds.

C. All Governmental Funds

(i) The Board has determined that the establishment of assigned fund balances, including the intent, specific purpose, and amounts may be made by the County Administrator for all County governmental funds, although any expenditure of assigned fund balances is subject to prior legal appropriation by the Board.

(ii) The County Administrator shall provide a summary to the Finance Committee of the Board of any specific assigned fund balances, including their purposes and amounts, prior to their establishment. In accordance with GASB standards, any fiscal year-end assigned fund balances shall be established prior to issuance of the annual Comprehensive Annual Financial Report (CAFR).

7-4 <u>Unassigned Fund Balance</u>

A. General Fund

(i) The unassigned fund balance is the residual classification for the General Fund and represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes with the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

(ii) The unassigned fund balance is established to protect against unanticipated expenditures, to provide for cash flow reserves during the fiscal year due to the timing difference between the receipt of revenues and disbursement of expenditures, and to meet desired unassigned fund balance targets.

(iii) Unassigned fund balance shall be at least equal to 10% of the General Fund's total revenues as measured during the annual budget adoption process as total budgeted revenues, net of any budgeted uses of fund balance, and as measured at fiscal year-end as actual revenues recognized in accordance with generally accepted accounting principles over the preceding fiscal year. A target unassigned fund balance is determined by the requirements of the Fund Balance Regulations.

(iv) If there is a shortfall in the General Fund unassigned fund balance beneath the 10% minimum fund balance percent, the County Administrator shall approve a plan to achieve the minimum within three fiscal years.

(v) If there is a shortfall in the General Fund unassigned fund balance beneath the target established by the Fund Balance Regulations, the goal of the next Five-Year Financial Plan shall be to attain the target.

B. Special Revenue Funds and Capital Projects Funds

(i) For governmental funds such as Special Revenue and Capital Projects Funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

(ii) It is the goal of the County that funds do not maintain a negative unassigned fund balance. The County Administrator shall approve a plan to eliminate any negative unassigned fund balance within three fiscal years.

7-5 Unrestricted Net Position

A. Unrestricted net position is reflected in entity-wide financial statements for governmental and business-type activities under the primary government and for the component units.

B. It is the County's goal to have positive unrestricted net position in its statement of net position, which reflects economic well-being.

C. Business-type Activities and Proprietary Funds

(i) Business-type activities and proprietary funds do not reflect fund balance accounting, but instead report net positions, in accordance with GASB standards.

(ii) Proprietary Funds

a) It is the County's goal that unrestricted net position shall be at least equal to 10% of total operating revenues at fiscal year-end, net of any donated assets recognized, to provide reserves for operations and future capital improvements. In the event of a shortfall, the County Administrator shall approve a plan to achieve the minimum within three fiscal years.

8. Purchasing Policy

8-1 Administration of Procurement Functions

A. Purpose and Applicability: Rules governing contract awards shall be made clear in advance of the competition, specifications shall reflect the procurement needs of the County rather than being drawn to favor a particular vendor, and the County and the vendor shall freely exchange information concerning what is sought to be procured and what is offered. In addition, surplus property is to be disposed of on a competitive basis whenever practicable.

B. General Authority: The County reserves the right to accept, reject or cancel any or all solicitations or parts thereof, to waive informalities, and to reissue solicitations. The County also reserves the right to award the contract as it deems will best serve its interests. It further reserves the right to award the contract on a lump sum basis, individual item basis, or such combination as shall best serve the interests of the County. This may include multiple awards if provided for in the solicitation.

C. Specific Authority: Procurement authority for functions governed by the Virginia Public Procurement Act shall be delegated to the County Administrator pursuant to *Code of Virginia*, § 2.2-4302. The County Administrator may delegate authority for those functions to other officials or employees.

D. Award of Term Contracts: For purposes of this Policy, the authorization required for award of term contracts shall be determined by the estimated value of the initial term plus all available renewals.

E. Negotiation with Lowest Bidder in certain instances: Unless all bids are cancelled or rejected, the County reserves the right granted by Section 2.2-4318 of the Code of Virginia to negotiate with the lowest responsive, responsible Bidder to obtain a contract price within the funds available to the County whenever such low bid exceeds the County's available funds. For the purpose of determining when such negotiations may take place, the term "available funds" shall mean those funds which were budgeted by the County for this contract prior to the issuance of the written Invitation for Bids. Negotiations with the low Bidder may include both modifications of the bid price and the Scope of Work/Specifications to be performed. The County shall initiate such negotiations by written notice to the lowest responsive, responsible Bidder that its bid exceeds the available funds and that the County wishes to negotiate a lower contract price. The times, places, and manner of negotiating shall be agreed to by the County and the lowest responsive, responsible Bidder.

8-2 Nondiscrimination

A. The County does not discriminate in the solicitation or award of contracts because of race, religion, color, sex, national origin, age, disability, status as a service disabled veteran, or any other basis prohibited by state law relating to discrimination in employment (*Code of Virginia*, § 2.2-4310A). The County will prominently display a nondiscrimination statement in all invitations to bid, requests for proposals, contracts, and purchase orders indicating that the County does not discriminate against faith-based organizations (*Code of Virginia*, § 2.2-4343.1D).

B. Competitive solicitations, or notices of the issuance thereof, shall be sent to small businesses and businesses owned by women, minorities, and service disabled veterans (*Code of Virginia*, § 2.2-4310B).

9. Revenue Policy

9-1 Diversification of Revenues

A. Diversification of revenues is a primary goal of the County.

B. 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.

9-2 Establishment and Modification of Fees

A. Fees will be calculated based on appropriate cost of service delivery.

B. Fees will be reviewed and updated based on criteria defined in the Revenue Regulations.

9-3 Accounts Receivable Collection

A. Bad Debt Expense

(i) The determination of the need for an allowance for doubtful accounts will be based upon accepted business practices and accounting standards.

(ii) Write-offs of uncollectable balances will be based on:

a) The type of balance (i.e. tax or non-tax balance);
b) The dollar amount outstanding;
c) The length of time delinquent; and
d) The status of standard collection efforts performed.

(iii) All write-offs require approval of the department head for non-tax balances or the Treasurer for general property tax balances.

9-4 Identity Theft Prevention Program

As required by the Federal Trade Commission's Red Flag Rules (Rules), the Board of Supervisors has adopted a written Identity Theft Prevention Program (ITPP) to detect, prevent and mitigate identity theft for customer accounts deemed "covered accounts" under the Rules and has authorized the County Administrator to implement the Program and to adopt and amend standard operating procedures appropriate to the size, complexity and nature of covered County operations. Oversight of the ITPP, including review of compliance reports and approval of amendments to the standard operating procedures, shall be the responsibility of the County Administrator.

9-5 Federal, State and Private Grants and Cooperative Agreements

A. 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.

B. The purpose of this policy is to:

(i) Ensure proper oversight of all funds appropriated to the County from federal, state and local governments, non-profit agencies, and private sources;

(ii) Minimize the County's risk of non-compliance with the requirements of grant awards, regulations and cooperative agreements;

(iii) Ensure proper fiscal administration, accounting, audit and reporting of all grants and cooperative agreements.

(iv) Ensure proper program management of all grants and cooperative agreements.

C. Applicability

(i) This policy and related Revenue Regulations apply to all grant and cooperative agreement applications prepared and/or submitted by County departments and Constitutional Officers to agencies outside the County government for funds, materials, or equipment to be received and/or administered by the County or by an agency for which the County acts as fiscal agent, including any grant or cooperative agreement funds or items passed through to a sub-recipient.

D. Centralized Responsibility

(i) 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.

(ii) Responsibility for the overall fiscal management of all County grants and cooperative agreements shall reside in the Department of Finance and Management Services.

E. Decentralized Responsibility

(i) 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).

(ii) 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 Finance and Management 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.

10. Travel and Business Expense Policy

10-1 Allowable Expenses

A. 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.

B. With the exception of travel for the purpose of promoting County economic development, 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. Payment or reimbursement of expenses for travel for the purpose of promoting economic development shall be in the amount of actual documented reasonable costs. The mileage reimbursement rate shall equal that established by the Internal Revenue Service.

C. Allowable expenses for lodging, public transportation and business expenses shall be the actual costs provided they are reasonable.

D. This Policy shall be administered so as 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.

E. The County Administrator shall interpret and administer this Policy and shall prescribe Regulations implementing this Policy and describing additional detailed requirements.

10-2 <u>County Procurement Cards and Other Methods of Payment</u>

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.