



## **BOARD OF SUPERVISORS AUDIT COMMITTEE**

**NOVEMBER 28, 2017 @ 1:30 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. APPROVAL OF MINUTES FROM SEPTEMBER 5, 2017
- III. PRESENTATION OF THE FISCAL YEAR 2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT BY THE COUNTY'S EXTERNAL AUDITORS, PBMARES
- IV. GENERAL FUND FY2017 YEAR END RESULTS AND APPROVAL OF USES OF GENERAL FUND BALANCE
- V. FY2018 FIRST QUARTER GENERAL FUND PROJECTION
- VI. UPCOMING MEETING; FEBRUARY/MARCH
- VII. OTHER BUSINESS
- VIII. ADJOURNMENT

**Goochland County  
Audit Committee Meeting  
September 5, 2017 @ 11:30 AM  
Administration Building  
1800 Sandy Hook Road, Goochland VA 23063  
Board Conference Room**

The Goochland County Audit Committee meeting was held on September 5th at 11:30 AM in the Board Conference Room. Present were:

District 1 Supervisor Susan Lascolette, Jr., Chairman Audit Committee  
District 5 Supervisor Ken Peterson, Vice Chairman Audit Committee  
District 2 Supervisor Manuel Alvarez  
County Administrator John Budesky  
Director of Financial Services Barbara Horlacher  
Assistant Director of Financial Services Kathleen Smith

Voting members were Ms. Lascolette, Mr. Alvarez, Mr. Peterson, Mr. Budesky, and Mrs. Horlacher.

- I. Ms. Lascolette called the meeting to order. A determination of quorum was made as 5 voting members were present.
- II. Mr. Alvarez moved to approve the minutes to the meeting held on June 6<sup>th</sup>, 2017. Mr. Peterson seconded, and the motion passed on unanimous vote.
- III. The Audit Committee Charter was reviewed. Mr. Peterson moved to approve the Audit Committee Charter, Mr. Alvarez seconded, and the motion passed on unanimous vote.
- IV. The board then began the review of the Financial Policies.
  - Edits were noted and Finance will correct
  - The board discussed different avenues for monitoring grant recipients
  - The board discussed various ideas surrounding budgeting and reservesAfter discussion the board moved to adopt the updated Financial Policies and the motion passed on unanimous vote.
- V. The FY2017 Preliminary Year-End Results were discussed. Mrs. Horlacher answered questions regarding the FY2017 General Fund Year End Reserves. A motion was made, seconded, and the motion to accept the FY2017 Preliminary Year-End Results passed on unanimous vote.
- VI. Upcoming Meeting
  - The next meeting is November 28<sup>th</sup> and will be the CAFR meeting
- VII. Ms. Lascolette adjourned the meeting

## 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



**Financial Management Policies**

**GOOCHLAND COUNTY  
VIRGINIA**

**Adopted: November 6, 2013**

**Amended: August 5, 2014**

**Amended: September 5, 2017**

# 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 estimated market value of taxable property should not exceed 2.75%. Net debt is to include general obligation, capital leases, and enterprise fund revenue bonds, including accreted interest.
  - b) The ratio of debt service expenditures as a percent of total general fund expenditures (including transfers to other funds) should not exceed 12%. Limiting debt service expenditures in this way provides flexibility for other expenses in the budget.

## **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

## FINANCIAL MANAGEMENT POLICIES

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**

Unassigned fund balances at the close of each fiscal year should be at least 20% of the total annual adopted general fund budget of the subsequent fiscal year, plus the non-local portion of the school operating fund budget. The general fund budget includes the transfer to the Schools, Debt Service, and other transfers from the general fund.

The County Board may, from time-to-time, appropriate unassigned fund balances that will reduce available fund balances below the 20% policy for the purposes of a declared fiscal emergency or other such global purpose for the benefit of the County. In such circumstances, the Board will adopt a plan to restore the available fund balances to the policy level within 36 months from the date of the appropriation. If restoration cannot be accomplished within such time period without severe hardship to the County, then the Board will establish a different but appropriate time period.

## FINANCIAL MANAGEMENT POLICIES

### **REVENUE STABILIZATION RESERVE**

The County will maintain a Revenue Stabilization Reserve of at least 1% of the total annual adopted general fund budget of the subsequent fiscal year, plus the non-local portion of the school operating fund budget.

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

### **ORDER OF EXPENDITURES OF FUNDS**

For any expenditure incurred for purposes for which multiple fund balance categories can be used, the County will utilize funds in the following spending order: restricted, committed, assigned, and unassigned.

# FINANCIAL 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.

## FY2017 General Fund Year End Balances

Total Fund Balance 6/30/16, per CAFR: \$ 34,385,822  
 Unassigned Fund Balance as of 6/30/16, per CAFR: \$ 19,404,095

<b>Description</b>	<b>Estimated Amount</b>	<b>Fund Balance Classification</b>
Prepaid items	138,212	Nonspendable
Due From TCSD in future years (Three Chopt Loan)	2,117,634	Nonspendable
Reservation for Fire-Rescue Notes Receivable	152,650	Nonspendable
Inventories	10,488	Nonspendable
Conservation Easement Stewardship	15,360	Restricted
Courthouse Maintenance funds In GF Balance (Fund 42)	39,879	Restricted
Revenue Stabilization Reserve - at least 1% of Annual Budget	580,000	Committed
Reserve for future school debt	150,000	Assigned
Reserve for Louisa Border Engineering & Surveying Costs	140,000	Assigned
Broadband Plan (unspent from FY2016)	50,000	Assigned
Zoning and Subdivision Ordinance Revisions (unspent from FY2016)	25,000	Assigned
For FY2018 General Fund budget	2,000,000	Assigned
TCSD Debt - reserve to help address future debt costs	1,000,000	Assigned
Reservation for Economic Development and Planning Initiatives	500,000	Assigned
Reservation for Parks Development and Land Acquisition	118,000	Assigned
Reservation for Schools Retiree Healthcare Liability	120,000	Assigned
Reservation for County Retiree Healthcare Liability	210,000	Assigned
Citizen Survey costs	35,000	Assigned
Fire-Rescue Initiatives	165,000	Assigned
Fire-Rescue - EMS Cost Recovery revenues above expenses	850,000	Assigned
Courthouse Security funds In GF Balance	168,000	Assigned
Social Services unspent funds in GF Balance (Fund 40)	200,000	Assigned
Reservation for Encumbrances rolled forward	21,950	Assigned
FY18 CIP	1,130,000	Assigned
FY19 CIP	3,300,000	Assigned
FY20 CIP	450,000	Assigned
Animal Shelter (previously appropriated)	592,000	Assigned
IT reservations (appropriate \$20,000 and \$55,100)	75,100	Assigned
Centerville streetscape (appropriate)	15,000	Assigned
Schools - reserve unspent FY17 budget	379,066	Assigned
Traffic Projects (study and design) (appropriate \$200,000)	260,000	Assigned
<b>Total Estimated General Fund Balance 6/30/17</b>	<b>\$ 34,458,838</b>	
Nonspendable	2,418,984	
Restricted	55,239	
Committed	580,000	
Assigned	11,954,116	
Unassigned	\$ 19,450,499	

*County of Goochland, Virginia*

**General Fund**

**FY18 First Quarter Projections**

**Year Ended June 30, 2018**

	Adopted Budget	Final Budget	Year-End Projected	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Total revenues	\$ 50,133,957	\$ 50,383,929	\$ 52,400,000	\$ 2,016,071
<b>EXPENDITURES</b>				
Current:				
General government administration	5,179,344	5,073,344	5,000,000	73,344
Judicial administration	1,642,525	1,665,425	1,640,000	25,425
Public safety	10,115,703	10,189,775	9,700,000	489,775
General services	2,343,317	2,364,317	2,200,000	164,317
Health and welfare	3,725,194	3,725,194	3,600,000	125,194
Education	21,830,000	22,209,000	22,209,000	-
Parks and recreation	882,287	886,087	882,287	3,800
Community development	1,558,739	1,863,969	1,500,000	363,969
Debt service:				
Principal retirement	2,800,000	2,800,000	2,800,000	-
Interest and other fiscal charges	710,848	710,848	710,848	-
Total expenditures	50,787,957	51,487,959	50,242,135	1,245,824
Excess (deficiency) of revenues over (under) expenditures	(654,000)	(1,104,030)	2,157,865	3,261,895
<b>OTHER FINANCING SOURCES (USES)</b>				
Total transfers net	(2,551,000)	(3,293,000)	(3,293,000)	-
Net change in fund balance	(3,205,000)	(4,397,030)	(1,135,135)	3,261,895
Fund balance - beginning	-	34,458,838	34,458,838	-
Fund balance - ending	\$ (3,205,000)	\$ 30,061,808	\$ 33,323,703	\$ 3,261,895