CHAPTER 03.
FINANCE POLICIES

County of Fluvanna

BOS Adopted - January 18, 2017

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SUPERSEDED OR WITHDRAWN POLICIES

Policy	**Status**
Travel Advances and Reimbursement	Merged into County Personnel Manual by BOS Jan 16, 2008
Capital Expenditures Vendor Refunds and Credit Memos Adjusting Journal Entries	Consolidated into 1.2 by BOS Aug 4, 2004
Purchasing Card (Credit Card) Policy	Merged into County Procurement Policy by BOS Apr 3, 2013

3.1. Budget

BOS Adopted – September 1, 2010

3.1.1. <u>Purpose</u>. The Commonwealth of Virginia requires all localities to follow certain budget guidelines, as outlined in Sections 15.2.2500 to 15.2.2513 of the Code of Virginia.

A. All localities within Virginia must have a fiscal year beginning on July 1 and ending on June 30.

B. Approved fiscal year budgets must be balanced. (Definition of "balanced budget" included in Section 1.3-b below.)

C. The School Board must approve the School Budget by May 1 or within 15 days of receiving estimates of state funding, whichever occurs later. (See Virginia Code § 22.1-93. I don't see the "May 1st" School Board date.)

D. The Board of Supervisors must approve the operating budget and set the tax rate by July 1 of each year. The adoption of the operating budget and the tax rate requires the Board to hold a public hearing and to advertise this hearing no less than 7 days in advance.

E. Although these are the minimum state requirements, the County traditionally has adopted its budget by April 30 in order to establish teacher contracts and to set the property tax rates prior to the 1st half tax bill mailing date. The official appropriation of funds takes place prior to July 1 of each year.

3.1.2. <u>Scope</u>. This Budget Policy addresses the process by which the County's operational and capital budgets are formulated, beginning with the departmental requests through adoption by the Board of Supervisors. This Policy also addresses all other aspects of the budget, including the authorization levels for the approval of budget adjustments and amendments as well as review of the budget during the fiscal year.

3.1.3. <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 from which the budgets shall be initially formulated.

B. A balanced budget is a budget that has total expenditures equal to total revenues, including use of fund balance.

C. Initiatives that are presented to the Board of Supervisors should also comply with the mission statement.

D. Annual 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.

3.1.4. Budget Form. The County's operating budget will be developed on an annual basis, incorporating the Capital Improvements Program (CIP) budget, consistent with Generally Accepted Accounting Principles (GAAP) and guidelines set forth by the Governmental Accounting Standards Board.

3.1.5. Basis of Budgeting. The basis of budgeting is the method used to determine when revenues and expenditures are recognized for budgetary purposes. In governmental funds, GAAP requires recognition of transactions or events on a modified accrual basis of accounting. This basis of accounting recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash. The County's basis of accounting differs from GAAP used for preparing the County's comprehensive annual financial reports. The three differences are as follows:

A. Encumbrances are considered the equivalent of expenditures rather than the GAAP required reservation of fund balance.

B. Grant revenues are not budgeted and are accounted for on a modified cash basis rather than an accrual basis.

C. The Sheriff's Auxiliary fund which must be reported under GAAP and in the County's Comprehensive Annual Financial Report (CAFR) is not included in the budget.

3.1.6. Budget Calendar. The County annually prepares a calendar which outlines all dates pertaining to the operational budget and capital improvements plan. No later than July 31st a date specific budget calendar is established for the subsequent fiscal year and submitted to the Board of Supervisors for approval.

3.1.7. Budget Preparation. All departments and agencies, excluding the School Board, will submit their requested budget to the County Finance Department and County Administration by a date and format established by the County Administrator, with the requested budget providing detail as to personnel, operating and capital requests, including five year capital improvement program requests.

A. County Boards and Other Organizations

1. The Social Services Board shall approve the departmental budget request of their organization prior to submission to the County Administrator.

2. The School Board Superintendent submits a recommended budget to the School Board. Upon approval, the School Board will submit the request to County Administration and the Board of Supervisors not later than the last day of February.

B. The County Administrator will present to the Board of Supervisors at their first meeting in February, a proposed budget, which includes proposed expenditures and capital outlay, and a means of financing the expenditures, for the fiscal year commencing July 1, contingent upon adequate knowledge of anticipated state and federal funding levels.

C. A series of budget work sessions will be scheduled with the Board of Supervisors to provide detailed information on budgetary issues.

D. Not later than December of each year, the Planning Commission shall review the Proposed Five Year Capital Improvements Program (CIP) and provide a recommendation on the subsequent year's CIP to the Board of Supervisors.

E. A consolidated public hearing on the budget and CIP shall be held no later than seven days prior to budget adoption, unless the Board of Supervisors chooses to select an alternate date or timeline.

1. In compliance with Virginia State Code 15.2.2506 public hearing notices shall be advertised at least seven days prior to the public hearing date.

2. If significant issues arise in which greater time is needed for the formulation of proposed budgets by the School Superintendent, County Administrator or Board of Supervisors, the budget preparation calendar can be extended upon approval of the Board subject to Virginia State Code 15.2.2503. "The governing body shall approve the budget and fix a tax rate for the budget year no later than the date on which the fiscal year begins."

3.1.8. Budget Adoption

A. Not less than one week following the public hearing, the Board of Supervisors shall adopt a balanced budget and five-year capital improvements program.

B. The budget is legally enacted through adoption of an appropriations resolution for all governmental and proprietary fund types with the resolutions appropriating budget balances by fund.

C. Although legal restrictions on expenditures are established at the fund level, effective administrative control over expenditures is maintained through the establishment of more detailed line item budgets.

D. At all times the County will maintain compliance with the Code of Virginia in appropriating, advertising public notices, ordinance changes, requests for bond referenda and any other legal restrictions imposed upon localities.

3.1.9. Budget Adjustments. Departments and agencies are required to operate their budgets within the total dollars appropriated. Departments shall not overspend the bottom line total. It is understood that occasionally in the management of their departmental budget, department directors will need to transfer funds within the respective department; stipulations for the transfers are noted below. Budget authorization levels are classified in three tiers for all non-education funds and are also described below.

A. Department Heads are authorized to:

1. Transfer within their departmental operating budget categories; transfers from personnel categories or capital categories exceeding $1,000 require County Administrator approval.

2. Transfers between two departments require approval of both department heads and the County Administrator.

3. Transfers into personnel categories require County Administrator approval.

B. The County Administrator or designee is authorized to:

1. Transfer within departmental budget categories of personnel, operating and capital.

2. Transfer up to $10,000 per month between departmental budget categories and/or departments and related capital projects.

3. Transfer contingencies to departmental and/or capital budgets up to $10,000 per topic or issue involving need for such reserve funding, with the exception of Board of Supervisors and Grant Contingencies, both of which require BOS action and approval.

C. The Board of Supervisors approval is needed for:

1. All transfers not otherwise addressed in this Policy.

2. Any supplements that increase the total adopted budget.

3. Any supplements that increase the total revenues for any of the education funds, upon prior approval of the School Board.

4. All supplements requiring Board of Supervisors approval that have been initiated by the Social Services department must have the Social Services Board approval prior to submission to the County.

5. Per the Code of Virginia 15.2.2507, any additional appropriation(s) which increases the total budget by more than 1% of the total expenditure budget for that fiscal year is required to be advertised for a public hearing at least seven days prior to the Board of Supervisors' approval of such appropriation; with such advertisements authorized by the County Administrator, unless the County Administrator deems such request for advertisement should require Board of Supervisors approval.

3.1.10. Reappropriation of Balances (Carryovers)

A. Appropriations lapse on June 30, for all unencumbered budget items other than capital projects and grants.

B. All outstanding encumbrances, both operating and capital, as of fiscal year-end shall be automatically reappropriated to the subsequent fiscal year to the same department and account for which they were encumbered in the previous fiscal year.

C. All capital reserve appropriations shall be automatically reappropriated to the subsequent fiscal year to the same department and account for which they were originally appropriated.

D. All unencumbered balances for capital projects shall remain appropriations until the completion of the capital project or until the Board of Supervisors, by appropriate resolution, changes or eliminates the appropriation.

E. All supplemental appropriations approved within a fiscal year for a specific purpose or project shall be automatically reappropriated to the subsequent fiscal year and utilized to complete original purpose or project as identified in the board action

F. External school funding shall be reappropriated to the subsequent fiscal year upon receipt of approval by the funding agency. School administration is required to notify the county Finance Department of such approval no later than August 30th of the subsequent fiscal year in which the funding is to be reappropriated. This excludes the local general fund appropriation, which requires the school board or superintendent of schools to submit a formal request for carryover to the Board of Supervisors.

G. Those amounts necessary for the continuation of unencumbered operating projects or services may be requested by departments, amended by the County Administrator and adopted, with any changes, by the Board of Supervisors to be reappropriated to the budget of the next fiscal year. Such requests for reappropriation shall be for specifically defined projects that could not reasonably be started prior to June 30.

3.2. Accounting and Financial Reporting

BOS Adopted - May 7, 2008

3.2.1. <u>Purpose</u>

A. The County of Fluvanna and its governing body, the Board of Supervisors, is responsible to the County's citizens to carefully account for all public funds, to manage County finances wisely and to plan for the adequate funding of services desired by the public, including the provisions and maintenance of facilities.

B. This policy will establish clear and consistent guidelines to ensure financial stability, enhance short- and long-term financial creditability to achieve high credit and bond ratings, and address the accounting methods utilized in the different fund types for revenues, expenditures, assets, liabilities and net assets (fund equity).

3.2.2. <u>Standards</u>. The County will adhere to and maintain a high standard of accounting practices in conformance with:

- Generally Accepted Accounting Principles (GAAP)
- Government Accounting Standards Board (GASB)
- Financial Accounting Standards Board (FASB)
- Code of Virginia

3.2.3. <u>Reporting</u>

A. The County will engage an independent firm of Certified Public Accountants (CPA) to perform an annual financial and compliance audit according to Generally Accepted Auditing Standards (GAAS).

B. All activities for which the County exercises oversight responsibility are incorporated into the financial statements to form the reporting entity.

C. Year end financial statements shall be formulated based upon accounting standards.

D. A Comprehensive Annual Financial Report (CAFR) will be prepared at the conclusion of the County audit.

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

F. Monthly financial statements shall be distributed to the Board and County Administrator by the end of preceding month.

3.2.4. Fund Accounting

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

> *A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. (National Council on Governmental Accounting, Statement 1)*

B. Governmental funds use the modified accrual basis of accounting. Modified accrual basis of accounting and current financial resources measurement focus defines when revenues and expenditure are recognized in the financial statements.

1. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The criteria to identify availability is collectible within the current period or soon enough thereafter (usually 60 days after fiscal year ends) to pay liabilities.

2. Expenditures are recognized for goods and services when the liability is incurred.

3. In applying this general principal, there are several important distinctions for governmental funds:

a. Depreciation and amortization are not recorded as expenditures, nor are long-term liabilities.

b. Accrued interest expense is not recorded on debt service up to the date of the fiscal year end.

c. Inventory including materials and supplies are expenditure at the time of purchase.

d. Expenditures extending over more than fiscal year are expense in the period during which they were acquired. They do not have to be allocated between the fiscal years to which they relate.

C. Accrual basis of accounting will be followed by the proprietary fund types. Revenues recognized when earned and expenses recognized when incurred.

D. Fund types and accounts groups are used by the County

1. General Fund – The general fund is the primary operating fund of the County. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other taxes, state and federal distributions, licenses, permits, charges for services and other income. A significant part of the General Fund's revenues is used principally to finance the operations of the School Board. General fund includes Social Services, Federal, State, and Local Grants, and Drug Forfeiture.

2. Capital Fund – Capital improvement fund are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Capital improvement fund consist of the General Government and School Improvement projects.

3. Debt Service Fund – The debt service fund is used for the payment of principal and interest on all loans, leases, and general obligations. The County's debt service fund is exclusive of School Fund for budgeting purposes, but is consolidated in the CAFR. For external reporting, the debt service is included in the General Fund.

4. Enterprise Fund – Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The measurement focus is upon the determination of net income. The County's proprietary fund type includes the Enterprise Funds, which are used to account for the acquisition, operation, and maintenance of governmental facilities and services which are primarily supported by user charges. The operations of Community Programs (Parks & Recreation), Landfill, Utility (Sewer), and Fork Union Sanitary District (FUSD) are accounted for and reported as Enterprise Funds.

5. Discretely Presented Component Unit – The Fluvanna County School Board is an elected board. The School Board is responsible for the operations of the County's School System and is fiscally dependent upon the County. The School Board adopts an annual budget for the schools and submits an appropriation request to the Board of Supervisors. The Board of Supervisors can accept or modify the appropriation request with the adoption of the annual County budget.

3.2.5. <u>Capital Assets</u>

A. Capital assets shall be capitalized for cost greater than $5,000 and a useful life of five years.

B. Expenditures considered capital assets are:

- Land or rights to land;
- Buildings;
- Additions to or renovations of buildings that add value to the building, improve it, or extend its useful life;

- Improvements to land other than buildings that add value to the land or improve its utility;
- Equipment, vehicles, and furnishings, as well as additions to or refurbishing of capital equipment;
- Intangibles;
- Construction in progress; and
- Infrastructure.

C. Valuation of Capital Asset includes:

1. Actual cost of the item itself; and

2. Any ancillary costs incurred that are necessary to place the asset in its intended location and condition ready for use. Examples of ancillary costs are freight and transportation charges, site preparation, professional fees, and legal claims.

3.2.6. <u>Non-Capitalized Assets</u>

A. Items of small value may have a relatively long life such as shovels, tool boxes, scissors, etc. should be classified as supplies.

B. Routine maintenance or repair, anything normal or necessary, does not add value to capital asset or materially extend the life of the capital asset should be charged to departmental budget maintenance or supply line item.

3.2.7. <u>Approval Requirements</u>. Capital assets are subject to the County's procurement policy and guidelines except for purchases of technology or related equipment. Technology or related items shall pass through the Director of Information Technology and County Administrator.

3.2.8. <u>Depreciation</u>

A. Capital assets shall be depreciated over the estimated useful life of the asset using the straight line method as follows:

Assets	Years
Buildings and infrastructure	40 to 50
Building improvements	30 to 40
Water and sewer system	20 to 50
Fire trucks and buses	10 to 15
Vehicles, office and computer equipment	5 to 10

B. Capital assets acquired during the fiscal year will be depreciated in the fiscal year of acquisition.

C. Capitalization of interest costs, in the enterprise funds, will be performed when the interest costs are material in relation to total enterprise fund expenses and fixed assets.

3.2.9. Donated Assets and In-Kind Contributions

A. Assets received by donation are recorded at its estimated fair value at the time of acquisition by the County.

B. Level of authority to accept donated assets and in-kind contributions:

1. Department head for items below $2,500;

2. County Administrator for items between $2,500 and $25,000: or

3. Board of Supervisor for items greater than $25,000.

3.2.10. General Ledger Entries

A. Journal Entries

1. Journal entries (JE) are designated in the Bright Accounting software (BAI) as source type JE.

2. JEs are manual entries into BAI.

3. They are entered throughout the fiscal year for reclassifying revenue, correcting an automatic posting for revenue or expenditures, or entering financial information not posted through payroll, accounts payable, treasury, or utilities modules for example proceeds for indebtedness or stop payment fee.

4. All JEs are posted or reviewed by the Director of Finance. JEs may be posted by Finance department staff to correct or reclassify an item. Documentation generated by BAI and supporting documentation for the creation of the entry and explanation for entry is maintained by month and fiscal year. A list of JEs is printed by query on a monthly basis from BAI as a listing and guide to the documentation.

5. JEs greater than $250,000 will require signature by the County Administrator, except for School expenditures.

B. Adjusting Entries

1. Adjusting entries (AE) are designated in the BAI as source type AE.

2. AEs are manual entries into BAI.

3. They are entered after the general ledger has been closed for the fiscal year. An example of AEs would be auditor's adjusting entries. An AE will be manually entered into BAI system for closed fiscal year; the system will recognize the entry and apply it into current fiscal year, if there's an impact.

4. All AEs are posted by the Director of Finance. Any AE proposed by the auditors must be reviewed and approved by Finance Director before entry.

5. AE's greater than $50,000 will require signature by the County Administrator.

3.2.11. Disbursements

A. Void Checks

1. Checks are voided by the Finance Department in order to maintain control and processing through BAI.

2. If it is determined that a check needs to be voided, it is sent directly to a Senior Finance Assistant with an explanation.

3. Senior Finance Assistant will void check in BAI.

4. Void checks are forward to the Treasurer's Office each month around the 25th.

B. Stop Payments

1. Notify the Finance Department to place a stop payment on check. Verification will be made with Treasurer that the check has not cleared the bank. The check is voided and reissue through the accounts payable system.

2. Treasurer is responsible for placing stop payments on checks with the bank.

3. A stop payment fee will be charged to the department placing the stop payment order by journal entry.

C. Wire Transfers

1. Electronic fund transfers (EFT) will be the preferred method of payment for debt service to ensure timely payment by due date in order for the County to retain use of their funds until that date. The use of electronic fund transfers standardizes payment streams, reduces credit and liquidity risk, provides a complete audit trail, improves efficiency, and reduces loss of the use of funds.

2. Wire transfers will be initiated by a Wire Transfer form and signed by the Director of Finance, County Administrator, and Treasurer.

3. Treasurer is responsible for issuing the wire transfer with the bank. A signed copy of the Wire Transfer form is returned to Finance.

4. Senior Finance Assistant enters the disbursement into Accounts Payable as a manual check.

D. Vendor Refunds

1. Cash refunded from a vendor because of returned goods; services paid for, but not used; or for overpayments for goods or services.

2. Departments should request cash refunds, if they do not expect any further business with a vendor.

3. Cash refunds are recorded on Revenue Transmittal and Pay In Voucher using the Master Dept. Code of RFND for Expenditure Refunds.

**Cash refunds should be recorded as revenue regardless when the expenditure was made.

E. Credit Memos

1. Credit memo will be applied to current invoice due to the vendor.

2. If no invoice is currently due to the vendor, the credit memo will remain in the department until a future invoice is paid to the vendor.

3. Credit memos should be properly documented and attached to invoice for payment.

3.3. Accounts Payable

BOS Adopted – March 7, 2007

3.3.1. Purpose. This policy describes the responsibilities and guidelines for processing expenditures incurred and disbursed for Fluvanna County. Accounts payable are invoices for goods and services rendered to the County for payment. The term, *invoice*, refers to the original vendor prepared bill that must be submitted for payment. By paying invoices in a timely and accurate manner, the County maintains good relationships with the business community. The accounts payable process ensures that expenditures by the County are for the intended purposes as authorized in the budget by the Board of Supervisors and accurately posted to the general ledger.

3.3.2. Responsibilities

A. Department Heads

1. Approving invoices for payment.

2. Coding invoices to the appropriate budget line item that corresponds to the expenditures.

3. Submitting invoices to the Finance Department in a timely and accurate manner along with any supporting documentation.

4. Requesting new expenditure categories as needed for proper coding.

B. Finance Department

1. Receiving invoices from departments.

2. Reviewing invoices for proper coding and compliance with budget.

3. Processing invoices for payment.

4. Assigning expenditure codes to newly requested line items.

5. Disbursing payments to vendors.

C. County Administrator. Responsible for authorizing payment of the accounts payable registers.

D. Treasurer. Responsible for authorizing accounts payable registers to be paid from the bank.

E. Board of Supervisors. Responsible at the first meeting of each month to record by resolution and vote the ratification of the accounts payable paid in the prior month.

3.3.3. Prompt Payment Act

A. The prompt payment act through the Virginia Public Procurement Act (§ 2.2.4347 through § 2.2.4356) requires that payments be remitted to vendors within 30 days of the receipt of the:

1. Vendor's invoice, or

2. Purchased goods or services, whichever is later.

B. Most payments to outside vendors are covered by the Act. However, some vendor payments including subscriptions, honorariums, memberships, and postal supplies are not covered by the Act. Departments should allow 5 working days (one week) before the payment due date for the Finance Department to process transactions.

1. For vendor payments made by check, the postmark date shall be deemed the payment date.

2. For vendor payments made using electronic wire, the bank settlement date is deemed the payment date. This is the date the funds are deposited in the vendor's bank account.

C. The State Corporation Commission (SCC) rules for utility payments supersede the prompt payment guidelines. The SCC rules require payment of utility invoices within 20 days from the date the invoice is prepared.

1. This rule conflicts with the prompt pay rule for making payments 30 days after the receipt of the invoice. In some cases, the SCC rule reduces the time available for making payment by as many as 18 days. If payments are not received by the due dates, the utility company automatically adds the late charges to the account.

2. When paying a utility invoice, code and approve the bill immediately upon receipt of invoice and submit to Finance Department.

D. Sometimes disputes occur concerning the purchase of goods and services. When a dispute occurs, the 30.day time period does not start until the dispute is resolved. The disputes can be either:

1. A disagreement concerning the quality or appropriateness of the received goods or services; or

2. Damaged or inoperative goods.

E. When a dispute occurs, the actions should be documented on the invoice or supporting documentation for audit review.

3.3.4. Internal Control. The policy and procedures should be adhered to in order to ensure the segregation of duties between the preparation and entry of accounts payable transactions and the approval and release of payments.

3.3.5. Records Retention. Original expenditure documents are to be maintained on file for five years.

3.3.6. Receipt of Invoices

A. Invoices are received by either Accounts Payable in the Finance Department or the Department that initiated the transaction. If the invoice is received by the Accounts Payable, the invoice is forwarded to the initiating department.

B. Payments are made only from original invoices. In cases where an invoice has been lost, an invoice has been faxed, or only a copy of the invoice exists and has not previously been paid, the initiating department must authorize payment through a Payment Voucher and attach the invoice copy.

C. A department receiving an invoice that does not have an invoice number must generate an invoice number in order to maintain a tracking system to avoid submitting duplicate invoices for payment.

D. Statements are listings of outstanding invoices and are never used to process payments. Statements are a tool to determine if there are discrepancies between our records and the vendor's records.

3.3.7. Department Responsibilities for Invoices

A. Each department is responsible for verifying the calculations and accuracy of invoices for payment.

1. Comparison of quantities billed on the invoice with quantities listed on the purchase order or price quote form and shown on packing slips (receiving documents).

2. Comparison of prices, discounts, and terms with those specified on the purchase order or price quote form.

3. Proof of clerical accuracy of the invoice with respect to extensions, footings, and deductions of discounts.

B. Authorized Signatories. Each department on a fiscal year basis, when personnel change, or personnel job duties change is required to provide the Finance Department with an Authorized Signatories Form. This form is signed by those individuals who are delegated the authority to approve expenditure documents and release disbursement transactions to the

Finance Department. The Department Head must sign the Department Authorized Signatories Form.

C. Submission of Invoices

1. Departments must stamp vendor's invoices and complete the lines with customized stamp furnished by the Finance Department.

- Manually code the account line item to be charged with the Fund #, Major #, Object #, and amount for data entry.
- Sign and date.

2. Each invoice needs to have a machine date and time stamped when submitted to the Finance Department.

D. The initiating department is responsible for adhering to the County's procurement policy and procedures for purchases. Approvals are required on invoices.

1. All invoices require authorized signatures from the department.

2. If the amount is more than $5,000, Department Head approval is required.

3. If the amount is more than $10,000, County Administrator approval is required.

E. The invoice and any receiving documents including packing slips are attached and forwarded to the Finance Department for payment.

F. If the initiating department is purchasing services or goods of a vendor not previously paid, the initiating department must have vendor/contractor complete and submit an IRS form W.9, Request for Taxpayer Identification Number to the Finance Department with the invoice. The IRS form W.9 obtains the vendor's correct taxpayer identification number, name, and address, and certify the type of business entity. Departments who fail to obtain or vendors who fail to provide a W.9 will delay payment pending receipt of form. Federal and State statutes require the County to obtain vendors taxpayer identification number, Code of Virginia, Section 2.2.4354 and IRS Code, Section 3406(a).

G. Reimbursement requests for travel expenses should be submitted on a Travel Expense Form to the Finance Department no later than seven (7) working days after returning from a job related trip.

3.3.8. <u>Finance Department Responsibilities for Accounts Payable</u>

A. Reviews the package, including invoice or voucher supporting documentation, coding, and compliance with budget lines and County policies, for completeness.

B. Checks for vendor number. If the vendor is new, a vendor account will be set up per the W.9 and number assigned as appropriate.

C. Verifies that the required approvals have been obtained

D. If the package is deemed not complete in accordance with this policy, the Finance Department will take the following steps.

1. Communicate by telephone or email to resolve the problem in the case of a minor problem such as an incomplete or misspelled name, incomplete address, invoice number, purchase order number or account number discrepancy.

2. If required approvals have not been obtained, return the package to the Department with an explanation of the problem and proposed corrective action.

3. If budget funds are not available or the budget has not been completed, return the package to the Department with an explanation of the problem.

4. If funds have not been encumbered by purchase order, budget transfer has not been issued to cover expenditure, or problem cannot be resolved by telephone or email in time of deadline to process payment, return package to Department.

5. Because of the time constraints involved in the check writing process, attempt to resolve problems in a timely manner so that the invoice does not delay the accounts payable cycle.

F. The data is entered into the computer system for generation of the checks, after review and correction or clarification of any information.

G. Director of Finance reviews edit reports and invoices for accounts payable prior to posting to the general ledger and printing of checks.

H. A resolution is prepared for approval by the County Administration or designee for payment of checks.

I. A resolution is prepared for authorization by the Treasurer for checks to be paid from the bank.

J. A resolution is prepared monthly along with a listing of accounts payable paid for ratification by the Board of Supervisors.

3.3.9. Manual Checks. When absolutely necessary, a manual check may be written. A request must be made in writing with the reason for a manual check to the Director of Finance for approval.

3.3.10. <u>Check Writing Schedule</u>. Invoices are generally paid twice a month. At the beginning of each fiscal year, a schedule will be distributed to Departments of the dates invoices are due for processing and checks will be released for payment.

3.3.11. <u>Reclassification of Accounts Payable after Payment</u>. If a Department determines that a paid invoice has been incorrectly coded and/or posted to a budget line item, the Department must prepare a *Cost Transfer* form to reclassify the cost and submit it to the Finance Department within two (2) months of the date posted in the general ledger.

3.3.12. <u>Fiscal Year End Cut-Off Procedures</u>. At the end of March each year, fiscal year end cut off procedures will distributed to Departments outlining deadlines for purchases and invoice payment schedule.

3.4. Pay In Vouchers

BOS Adopted -

3.4.1. Preparation and Disposition

A. The department director or his authorized agent in remitting money to the account of the County Treasurer shall prepare a pay.in voucher which shall be the only form used in remitting money to the account of the County Treasurer.

B. Pay in Vouchers shall be prepared in quadruplicate.

C. The original and duplicate to be delivered to the County Treasurer together with the remittance.

D. The original and duplicate to be delivered to the County Treasurer together with the remittance.

E. A VALIDATED Duplicate COPY will be returned by the County Treasurer to be retained by the issuing department.

F. The third copy to be delivered to the department of finance by the department at the time of the remittance.

G. The fourth copy will be held in suspense by the department, awaiting the validated copy signifying process completion.

3.4.2. Required Elements

A. Amount

B. Source from which the money accrued

C. Fund into which it is paid

D. Complete description of the funds origin and receipt

E. Numbered consecutively.

F. Issued to the budget units by the department of finance which shall record the numbers issued to each department.

G. The head of each department shall be held accountable for each form so issued and the recorded deposits.

3.5. Check Signing

BOS Adopted – September 21, 2005

3.5.1. Procedures

A. Checks are processed by the Finance Department and forwarded to the Treasurer's Office for signatures.

B. Checks are required to have all the proper documentation attached to the checks to be signed, including a warrant control sheet showing the check number, payee and dollar amount. The sheet that shows the batch and the amounts that will affect the general ledger must also be attached.

C. The Treasurer's Office will total the checks to be sure that the total on the warrant control sheet and the checks issued are the same.

D. County Administrator or Assistant County Administrator signature must be included on the documentation indicating approval of the checks.

E. Checks presented with changes/corrections to the name or amount will not be signed.

F. The Treasurer's Office has the authority to refuse to sign checks without the proper signatures or documentation.

G. All voided checks must be delivered to the Treasurer's Office to be properly identified in the general ledger as a voided check. It is important that this procedure is followed in the same month the checks are voided.

H. The Treasurer is responsible for placing all stop payments on checks through the bank.

I. Payment for vouchers/bills will not be remitted by phone, giving the county's account number or check number. ALL VOUCHERS/BILLS MUST BE PAID BY A COUNTY CHECK WITH PROPER SIGNATURES. NO ONE EXCEPT THE TREASURER HAS THE AUTHORITY TO GIVE OUT THE COUNTY BANK ACCOUNT NUMBER TO A VENDOR OR APPROVE A VOUCHER/BILL BY PHONE OR WIRE.

3.6. Fund Balance

BOS Adopted – May 7, 2008

3.6.1. <u>Purpose</u>. The purpose of this policy is to establish:

A. The components of General Fund Balance;

B. A minimum for unreserved-undesignated fund balance;

C. The fund balance of other funds and the impact on the General Fund; and

D. Compliance with this policy.

3.6.2. <u>Background</u>

A. Fluvanna County desires to maintain the financial operations of the County in a manner consistent with sound financial management principles which require that sufficient funds be retained by the County to provide a stable financial base at all times.

B. An adequate fund balance level is an essential element in both short- and long-term financial planning, and serves to mitigate current and future risks (revenue shortfalls and unanticipated expenditures), sustain operations during economic downturns, and enhance creditworthiness.

C. Through the maintenance of sufficient levels of fund balance, the County can help stabilize funding for operations, stabilize taxes and fees, and realize cost savings in issuing debt.

3.6.3. <u>Fund Balance Components</u>

A. <u>General Fund</u> – This fund is the County's general operating fund, which accounts for all governmental activities unless required to be accounted for in another fund.

B. <u>Fund Balance</u> – The difference between assets and liabilities reported in governmental funds. It serves as a measure of financial resources available for current operations. It is divided into two elements: reserved and unreserved.

1. Reserved Fund Balance – This is the portion of financial resources that have been restricted for specific uses such as legal or grants. Reservations are often set by those outside the government such as State and federal agencies and can only be spent for those established purposes.

2. Unreserved Fund Balance – This is the portion of the fund balance that is available for spending. Unreserved fund balance is divided into two components: designated and undesignated.

a. Unreserved-Designated Fund Balance – These funds represent intended uses of financial resources including those specifically reserved by the Board of Supervisors for a future need, revenues recognized in advance of matching expenditure, funding of subsequent budget, and reappropriation of prior year balances. Designations are tentative and the Board of Supervisors can change the designation of these funds for other uses.

b. Unreserved-Undesignated Fund Balance – These funds represent the remainder of the County's equity in the General Fund. This is the portion of fund balance that has not been reserved or designated for other uses; therefore, it is available to spend in future periods.

3.6.4. Fund Balance Requirements – General Fund

A. Unreserved-Undesignated

1. The unreserved-undesignated fund balance shall be at least 12% of Governmental General Fund Revenues and Component Unit – School Board Operating Revenues at the end of each fiscal year.

2. Twelve percent (12%) is identified as the minimum amount needed to safeguard the County's financial stability, and as one component in maintaining a high bond rating.

3. This would be the minimum fund balance to meet ongoing expenditure obligations for County and Schools.

B. Unreserved-designated shall be established at an amount equal to 1.11.3.b(2)(a).

C. Contingency

1. The County will maintain Board and Personnel contingency lines in the general fund to pay for needs caused by unforeseen emergencies, including unanticipated expenditures of a nonrecurring nature, or to meet unexpected small increases in service delivery cost.

2. These contingency lines shall be budgeted at least 0.5% of governmental general fund expenditures.

3.6.5. Fund Balances – Other Funds

A. Capital Projects Fund

1. Designation shall be made for projects made with issuance of bond proceeds.

2. Designation shall be made for proffers which present a timing difference between recognition of revenue and subsequent use of funds.

3. Any balances for unreserved-designated capital projects are held in the General Fund until funds are used. Cash transfers are made from the supporting operating fund for projects when funds are expended.

B. School Fund

1. The School Fund does not maintain a fund balance.

2. General Fund is the primary support for the School Fund. In the event revenue shortfalls occur, the General Fund may be impacted. The unreserved-undesignated fund balance requirement established for the General Fund takes this liability into account.

C. Enterprise Funds

1. The County currently has four Enterprise Funds:

- Landfill
- Utility (Sewer)
- Fork Union Sanitary District (FUSD)

2. These operations are intended to be self-supporting. As such, the charges for services should be adjusted to cover any deficits.

3. In the event of deficits, the Board of Supervisors may approve a loan or gift to cover the deficit from the General Fund. The preferred method for providing supplemental funding shall be that of a loan accompanied by an appropriate repayment schedule. However, particular circumstances may warrant supplemental funding in the manner of a gift from the General Fund. The unreserved-undesignated fund balance requirement established for the General Fund takes this liability into account.

3.6.6. Policy Compliance

A. Fund balances shall be evaluated during the annual budget process. It shall be the goal of the Board of Supervisors to adopt a budget that maintains the requirements established herein.

B. Fund balance policy will be reviewed and reported to Board of Supervisors at least annually in conjunction with the development of the operating budget and upon any significant amendments made to the budget throughout the fiscal year.

C. No appropriation from Unreserved-Undesignated Fund Balance for recurring operational expenditures shall be made unless a plan for permanent funding of such expenditures is also approved at the time of appropriation.

D. In the event Unreserved-Undesignated Fund Balance is required to be drawn below the 12% requirement due to an emergency, such as natural disaster or due to severe economic circumstances, the County Administrator will present to the Board of Supervisors a plan and timeline to restore the Unreserved-Undesignated Fund Balance to its minimum level established herein.

E. All fund balances shall be invested in such instruments as deemed appropriate by the County Treasurer, and unless otherwise specified, investment revenue shall accrue to the General Fund.

3.7. Debt Management

BOS Adopted – October 3, 2007

3.7.1 Purpose. To establish parameters and provide guidance governing the issuance, management, continuing evaluation of, and reporting on all debt obligations issued by the County of Fluvanna, and to provide for the preparation and implementation necessary to assure compliance and conformity with this policy.

3.7.2. Objectives. A debt policy addresses the level of indebtedness the County can reasonably expect to incur without jeopardizing its existing financial position and to ensure the efficient and effective operations of the County and to address capital infrastructure requirements to meet the increasing needs of its citizens. The costs of these requirements will be met through the issuance of various types of debt instruments.

3.7.3. Delegation of Duties. The County Administrator or designee will be responsible for policy implementation and oversight. This individual will monitor and enforce Fluvanna County's compliance with this policy.

3.7.4. Purposes and Uses of Debt. Bond proceeds should be limited to financing the costs of planning, design, land acquisition, buildings, permanent structures, attached fixtures or equipment, and movable pieces of equipment, such as fire engines, or other costs as permitted by law.

3.7.5. Types of Debt. The laws of the Commonwealth of Virginia authorize the issuance of debt by the County. Identified below are various types of debt instruments the County may issue.

A. Bond Anticipation Notes

1. The County may issue Bond Anticipation Notes (BANs) in expectation of General Obligation Bonds or Revenue Bonds when cash is required in order for the financed capital project to be initiated or continue or when long term markets do not appear appropriate on a given date, but have a clear potential for improvement within 12 months.

2. The County will issue BANs for a period not to exceed three years.

3. BANs should not be rolled over more than 1 additional two-year period.

B. Revenue Anticipation Notes

1. The County's Fund Balance is designed to provide adequate cash flow to avoid the need for Revenue Anticipation Notes (RANs) through the establishment of designated and undesignated fund balances sufficient to maintain required cash flows and provide reserves for unanticipated expenditures, revenue shortfalls and other specific uses.

2. The County may issue RANs in an extreme emergency beyond the County's control or ability to forecast when the revenue source will be received subsequent to the timing of funds needed.

3. The County will issue RANs for a period not to exceed the one year period permitted under the Constitution of Virginia, Article VII Section 10.

C. General Obligation Bonds

1. The Constitution of Virginia, Article VII Section 10, and the Public Finance Act provide the authority for a County to issue General Obligation (GO) Debt with no limit on the amount of GO Debt that a County may issue.

2. The County may issue GO Debt for capital projects or other properly approved projects.

3. All debt secured by the general obligation of the County must be approved by the Board of Supervisors and a public referendum, with the exception of Virginia Public School Authority (VPSA) Bonds and State Literary Fund Loans which do not need approval by referendum.

D. VPSA Bonds and State Literary Fund Loans

1. School capital projects may be constructed with debt, either through VPSA bonds or State Literary Fund Loans, with preference given to accessibility and interest rates.

2. Approval of the School Board is required prior to approval by the Board of Supervisors.

E. Revenue Bonds

1. The County may issue Revenue Bonds to fund enterprise activities, such as water and sewer utilities, or for general government including capital projects and school projects which will generate a revenue stream.

2. The bonds will include written covenants which will require that the revenue sources are sufficient to fund the debt service requirements.

3. Costs of issuance, debt service reserve funds and capitalized interest may be included in the capital project costs and thus are fully eligible for reimbursement from bond proceeds.

F. Capital Acquisition Notes and Leases

1. The County may issue short-term notes or capital leases to purchase buildings, machinery, equipment, furniture and fixtures.

2. For school related capital acquisition notes and leases, approval of the School Board is required prior to approval by the Board of Supervisors.

3. The applicability of capital leases, as opposed to operating leases, for assets planned to be acquired will initially be determined during the budget process with further reviews performed during the bid process and awarding of contract for the capital asset.

4. For purposes of establishing a threshold for Board of Supervisors approval, the final maturity of the capital lease should not exceed the estimated useful life for capital assets in the Capital Improvements Program.

G. Moral Obligation Debt

1. The County may accept a moral obligation for the payment of debt incurred by other agencies and agree to pay debt service when revenues of agencies may prove insufficient to cover debt service.

2. Payment of moral obligation debt service will be done when the best interest of the County is clearly demonstrated.

3. While such moral obligation support does not affect the debt limit of the County, the amount of bonds issued with the County's moral obligation should be controlled in order to limit potential demands on the County.

4. There is no legal obligation, but the County is placing its good name and reputation on the line and there is every expectation that the County would make good any deficiencies when a default exists.

3.7.6. Project Life. Debt financing will be used for major, non-recurring items with an economic value lasting at a minimum of five years.

3.7.7. Refunding and Refinancing Bonds

A. Refunding is a procedure whereby an issuer refinances an outstanding bond issue by issuing new bonds. The advantages to refunding are 1) to reduce the issuer's interest costs, or 2) to remove a burdensome or restrictive covenant imposed by the terms of the bonds being refinanced.

B. Annually, and more frequent, if market conditions dictate, a review of all outstanding debt issuances will be performed by the County and financial advisor to determine possible refunding opportunities available.

C. As a general guideline, the issuance of refunding bonds shall occur if the present value of debt service savings (net of all issuance costs and any cash contribution to the refunding) exceeds three (3) percent of the debt service amount of the refunded bonds and/or the net present value of future savings warrants such refunding.

D. If there is not a net present value savings, bonds can be refunded to remove burdensome bond covenants or restructure the stream of debt service payments.

3.7.8. Restrictions on Debt Issuance

A. Prohibited Uses. The County will not fund current operations from proceeds of borrowed funds. The County will confine long-term borrowing and capital leases to capital improvements, projects, or equipment that cannot be financed from current financial resources.

B. Limitations on Maturity. The maximum maturity of any debt will not exceed the expected useful life of the project for which the debt is issued.

C. Statutory Limitations. All debt/obligations require approval and appropriation of the proceeds by the Board of Supervisors.

3.7.9. Debt Service Limitations - General Fund Revenue

A. The ratio of governmental fund debt service expenditures as a percent of total governmental fund operating revenues should not exceed 12%.

B. This ratio shall include debt and capital lease obligations of the general government, schools, and other debt for which the primary source of payment is revenue of the general fund.

C. This ratio will be measured annually.

3.7.10. Outstanding Debt Limitations - Assessed Value

A. Debt as a percentage of assessed value will not exceed 3.5 percentage.

B. This ratio measures the relationship between County’s tax supported debts to the taxable value of property in the County.

C. It is an important indicator of the County’s ability to repay debt, because property taxes are the source of the County’s revenue used to repay debt.

D. The smaller the ratio indicates that the County is better able to withstand possible future economic downturns and continue to meet its debt obligations.

3.7.11. Characteristics of Debt Structure

A. Repayment Provisions. To the extent possible, the County will design the repayment of its overall debt so as to recapture rapidly its credit capacity for future use. The

County will strive to structure a financing schedule and repayment of debt on a level payment plan after initial wrap up and/or construction period.

B. Maturity Guidelines. Bond maturities shall not exceed the useful life of assets purchased with the proceeds.

C. Debt Service Fund. Debt service reserves funds and other funds as required by bond covenants shall be established and monitored annually to ensure continued compliance with bond covenants, County policies, and Federal and State regulations.

D. Investment of Bond Proceeds. Investment of bond proceeds shall at all times be in compliance with County's Deposits and Investment Policy and meet all requirements of bond proceed covenants. All issuances subject to arbitrage constraints shall be monitored by the Director of Finance and have arbitrage liability calculations performed in a timely manner.

3.7.12. Debt Issuance Process

A. Sale Process. The County will generally conduct financings on a competitive basis. However, negotiated financings may be used due to market volatility or the use of an unusual or complex financing or security structure.

B. Professional Services. The County employs outside financial specialists to assist it in developing a bond issuance strategy, preparing bond documents, and marketing bonds to investors. The key players in the County's financing transactions include its financial advisor and bond counsel, the underwriter (on a negotiated sale), and County representatives (the Director of Finance and the County Administrator, among others). Other outside firms, such as those providing paying agent/registrar, trustee, auditing, or printing services, are retained as required. The financing team meets at least annually to review the overall financing strategy of the County and make recommendations to the Board of Supervisors.

1. Financial Advisors. The County shall procure the services of a financial advisor through a request for proposal (RFP) every five years. These services shall be utilized throughout the year to monitor existing debt for refunding opportunities, assist in selection of underwriting services, monitoring compliance with debt policy, providing oversight during a debt issuance process, and providing other financial advisory services, as needed.

2. Underwriting Services. The County shall procure underwriting services either through a competitive or negotiated sales method, based upon the nature of the bond sale and input of the financial advisor.

3. Bond Counsel. The County shall procure bond counsel either through a competitive or negotiated sales method, based upon the nature of the bond sale and input of the financial advisor.

C. Bond Rating Goals. The County will strive to obtain a bond rating in the future in order to minimize borrowing costs and preserve access to credit. A bond rating will influence the cost of debt issuance and reduce interest costs to the County's taxpayers.

D. Disclosure. The County shall adhere to a policy of full disclosure in every annual financial report and financing official statement/offering document.

1. The County will maintain good communications with agencies to inform them about the County's financial position by providing them the County's Comprehensive Annual Financial Report (CAFR) and Adopted Budget.

2. The County will follow the National Federation of Municipal Analysts and Government Finance Officers Association policy of full continuing disclosure.

3. The County will disclose the preceding ten fiscal year's debt ratios in the CAFR.

4. The County will disclose an estimate of the subsequent five fiscal year's debt ratios in the Adopted Budget with an analysis of the impact.

5. The County will annually prepare and adopt a multiyear Capital Improvements Program to identify and establish an orderly plan to meet the County's infrastructure needs with all debt-related projects and the corresponding debt service impact upon the General Funds of the County identified.

3.7.13. Debt Service Payment Settlement Procedures

A. Principal and interest for the fiscal year according to the financing schedule will be budgeted separately in debt services fund. The general fund will transfer revenue to cover the debt service expenditures. Principal and interest will be paid in a timely manner in accordance to due date and posted to the general ledger.

B. Whenever possible, the trustees/fiscal agents/paying agents invoice the County for debt service payments a minimum of 30 days prior to the due date.

C. Electronic fund transfers (EFT) will be the preferred method of payment to ensure timely payment on payment due dates in order for the County to retain use of their funds until that date. The use of electronic fund transfers standardizes payment streams, reduces credit and liquidity risk, provides a complete audit trail, improves efficiency, and reduces loss of the use of funds.

3.8. Investment Program

BOS Adopted - October 15, 2008

3.8.1. Purpose. To define the parameters and guidelines for investment of Fluvanna County funds that typically reside in one or more of the primary accounts for Fluvanna County – the General Fund, the Capital Projects Fund, and the Debt Service Fund. The objectives for these three accounts and the manner in which funds in them are invested shall at all times be in compliance with the Code of Virginia, specifically Title 2.2, Chapter 45 – Investment of Public Funds Act.

3.8.2. General Fund Investments

A. Purpose. The funds held in the General Fund are used by the Treasurer's Office for the regular operations of Fluvanna County. Funds held in the General Fund shall be invested in a manner to provide for the daily liquidity required to manage these operations.

B. Objectives. The investment of funds in the General Fund shall be executed in order to achieve the following objectives:

- Preserve capital.
- Maintain sufficient liquidity to ensure daily cash availability for withdrawals.
- Maximize return on investment while maintaining an acceptable level of investment risk.

C. Investment Guidelines. All investments made in the General Fund shall adhere to the following permissible investments and constraints:

1. All investments must be permissible under the Code of Virginia, Chapter 45, Investment of Public Funds Act.

2. To achieve the objectives of this policy the list of investments permissible under the Code of Virginia are further constrained by the following:

a. No mortgage related assets. This includes asset-backed securities that are collateralized by mortgages.

b. All securities must have an average life of less than 5 years.

c. The minimum credit rating on any security must be Aa3 by Moody's or AA by S&P. Split ratings where either Moody's or S&P is less than Aa3 or AA are not permitted.

d. No equity investments of any kind.

3.8.3. Capital Projects Fund Investments

A. Purpose. The purpose of the Capital Projects Fund is to segregate funds that are designated for specific capital projects. This Fund may or may not be utilized by the Treasurer's Office. Funds for capital projects may also be held in the General Fund. Funds held in the Capital Projects Fund may have different liquidity requirements than the funds held in the General Fund, and therefore may be invested in a different manner.

B. Objectives. The investment of funds in the Capital Projects Fund shall be executed in order to achieve the following objectives:

1. Preserve capital.

2. Cash flows of investments shall be optimized to match the cash flow needs of designated capital projects.

3. Maximize return on investment while maintaining an acceptable level of investment risk.

C. Investment Guidelines. All investments made in the Capital Projects Fund shall adhere to the following permissible investments and constraints:

1. All investments must be permissible under the Code of Virginia, Chapter 45 - Investment of Public Funds Act.

2. To achieve the objectives of this policy the list of investments permissible under the Code of Virginia are further constrained by the following:

a. No mortgage related assets. This includes asset-backed securities that are collateralized by mortgages.

b. The minimum credit rating on any security must be Aa3 by Moody's or AA by S&P. Split ratings where either Moody's or S&P is less than Aa3 or AA are not permitted.

c. No equity investments of any kind.

3.8.4. Debt Service Fund Investments

A. Purpose. The purpose of the Debt Service Fund is to segregate funds that are designated for the payment of interest and principal on long-term debt obligations of Fluvanna County. This Fund may or may not be utilized by the Treasurer's Office. Funds for capital projects may also be held in the General Fund. Funds held in the Debt Service Fund may have different liquidity requirements than the funds held in the General Fund, and therefore may be invested in a different manner.

B. Objectives. The investment of funds in the Debt Service Fund shall be executed in order to achieve the following objectives:

1. Preserve capital.

2. Cash flows of investments shall be optimized to match the cash flows required to provide for payment of interest and principal on debt obligations.

3. Maximize return on investment while maintaining an acceptable level of investment risk.

C. Investment Guidelines. All investments made in the Debt Service Fund shall adhere to the following permissible investments and constraints:

1. Permissible Investments - All investments must be permissible under the Code of Virginia, Chapter 45, Investment of Public Funds Act.

2. To achieve the objectives of this policy the list of investments permissible under the Code of Virginia are further constrained by the following:

a. No mortgage related assets. This includes asset-backed securities that are collateralized by mortgages.

b. The minimum credit rating on any security must be Aa3 by Moody's or AA. by S&P. Split ratings where either Moody's or S&P is less than Aa3 or AA. are not permitted.

c. No equity investments of any kind.

3.8.5. Reporting. To monitor the investments and investment managers of Fluvanna County, the following information will be provided to the Treasurer's Office on a monthly basis:

A. Detailed list of holdings, broken down by investment sector, which includes the following pieces of information for each security held:

- Security Description
- Par Amount
- Market Value
- Percent of Total Portfolio Market Value
- Price
- Coupon
- Maturity
- Yield to Maturity (or Average Life if no maturity)
- Effective Duration
- Credit Rating (both Moody's and S&P ratings)

B. Monthly Performance Report. This report is for monitoring the performance of the funds in each account and should include the following:

1. The total return of each investment portfolio and the portfolio's performance benchmark.

2. The benchmark for the General Fund shall be the 3-month Treasury Bill.

3. The benchmarks for the Capital Projects Fund and the Debt Service Fund shall be determined based on the nature of the investments in the fund at any given time.

4. The performance time periods provide the manager of each portfolio are for 1 month, 3 months, fiscal year to date, 1 year, 3 years, and 5 years. Periods greater than 1 year are annualized.

C. Market Analysis. This is a written commentary about the current state of the market, particularly as it pertains to the type of investments made by Fluvanna County.

3.9. Fixed Assets

BOS Adopted -

3.9.1. Capital Assets. Capital assets shall be capitalized for cost greater than $5,000 and a useful life of five years or more.

A. Capital Asset Expenditures

- Land or rights to land;
- Buildings;
- Additions to or renovations of buildings that add value to the building, improve it, or extend its useful life;
- Improvements to land other than buildings that add value to the land or improve its utility;
- Equipment, vehicles, and furnishings, as well as additions to or refurbishing of capital equipment;
- Intangibles;
- Construction in progress; and
- Infrastructure.

B. Capital Asset Valuation

1. Actual cost of the item itself and any ancillary costs incurred that are necessary to place the asset in its intended location and condition ready for use.

2. Examples of ancillary costs are freight and transportation charges, site preparation, professional fees, and legal claims.

3.9.2. Non-Capitalized Assets

A. Items of small value may have a relatively long life such as shovels, tool boxes, scissors, etc. should be classified as supplies.

B. Routine maintenance or repair, anything normal or necessary, does not add value to capital asset or materially extend the life of the capital asset should be charged to departmental budget maintenance or supply line item.

3.9.3. Approval Requirements. Capital assets are subject to the County's procurement policy and guidelines except for purchases of technology or related equipment. Technology or related items shall pass through the Director of Information Technology and County Administrator.

3.9.4. Depreciation

A. Capital assets shall be depreciated over the estimated useful life of the asset using the straight-line method as follows:

Assets	Years
Buildings and infrastructure	40 to 50
Building improvements	30 to 40
Water and sewer system	20 to 50
Fire trucks and buses	10 to 15
Vehicles, office and computer equipment	5 to 10

B. Capital assets acquired during the fiscal year will be depreciated in the fiscal year of acquisition.

C. Capitalization of interest costs, in the enterprise funds, will be performed when the interest costs are material in relation to total enterprise fund expenses and fixed assets.

3.9.5. Donated Assets and In-Kind Contributions

A. Assets received by donation are recorded at its estimated fair value at the time of acquisition by the County.

B. Level of authority to accept donated assets and in-kind contributions:

1. Department head for items $2,500 or less.

2. County Administrator for items $25,000 or less.

3. Board of Supervisor for items greater than $25,000.

3.10. Capital Reserve Maintenance Fund

BOS Adopted - January 18, 2017

3.10.1. <u>Purpose</u>. To provide funding support for ongoing, special, and unexpected maintenance and repair of Fluvanna County government and Fluvanna County Public School buildings, supporting infrastructure, and equipment.

3.10.2. <u>Policy</u>. Funds accumulated in the capital reserves are designated for planned and unplanned maintenance, repair, and renovation (MRR) projects. In addition, capital reserve expenses are for projects:

A. Costing up to $50,000; higher cost projects meeting other CRM funding criteria may also be submitted for Board consideration;

B. Not funded in the adopted Capital Improvements Program (CIP) or in the requesting department's current operating budget; and

C. That meet one or more of the following criteria:

- Ongoing facility or equipment maintenance requirements
- Repairs required due to weather-related events
- Unexpected facility repairs or replacements
- Failure of equipment after warranty expiration but before expected lifecycle
- Non-recurring projects
- Projects that require initiation prior to the completion of the annual budget cycle
- Insurance deductible costs for a capital asset that has been damaged
- Other one-time, minor capital projects

3.10.3. <u>Procedure</u>

A. CRM funding requests will be submitted using the "Capital Reserve Maintenance Fund Request" form to the County Administrator via the Director of Finance.

B. The Finance Director and County Administrator will review requests and make recommendations for approval/disapproval based on this policy.

C. The County Administrator shall forward CRM requests, with his recommendations, to the Board of Supervisors for their review and action at an appropriate meeting, which may be on the Consent Agenda or otherwise.

3.11. Voluntary Contributions Program

BOS Adopted – August 7, 2013

3.11.1. Purpose. The purpose of the Fluvanna County Voluntary Contributions Program is to allow individuals the opportunity to directly support designated County and School programs and services that are important to them. Making a Voluntary Contribution is an easy and reliable way for individuals to support the program of their choice.

3.11.2. Policy

A. Department/Agency Designations. The money donated is guaranteed to go where directed. 100% of each voluntary contribution will go to the department/agency selected.

1. Donated funds will be available for use by the designated department or agency after it is appropriated by the Board of Supervisors.

2. Motions for appropriation of voluntary contributions will be presented to the Board of Supervisors at the second January and second July Board meetings each year.

3. Receiving departments or agencies will be able designate the budget line(s) to which the voluntary contributions are to be applied (generally books, supplies, or equipment, etc.).

B. Voluntary Contributions are Tax Deductible. While donations to third parties may not be, those made directly to the County for public purposes are tax deductible. (Deductibility can depend on individual financial circumstances, so if you are making a donation for tax purposes, please consult your personal tax advisor.)

C. Minimum Contribution Amount. Due to processing costs, the minimum voluntary contribution amount is $10.00. Contributions of less than $10.00 will be returned to the donator.

D. Separate Payment Required. When paying by check, a separate check is required to ensure funds are deposited and assigned to the correct designated organization. In other words, you cannot combine a voluntary contribution and a personal property or other payment on one check.

3.11.3. Procedures

A. Designated Departments/Agencies. Contributions can be designated for any one of the six department/agencies noted below.

1. County Government General Fund

2. Fluvanna County Public Schools (FCPS)

3. Parks and Recreation Department

4. Social Services Special Welfare Fund

5. Sheriff's Department

6. County Library

B. Making a Donation. Donations can be made in several ways:

1. By cash or check payment directly at the Treasurer's Office.

2. By check mailed to the Treasurer's Office.

3. Online by either personal check or credit/debit card at www.fluvannacounty.org.

Note: There is a third party Convenience Fee charged for donations made online.

C. Voluntary Contribution Information and Forms. Information explaining the program and contribution forms **may** be available through the following options:

1. On the County website

2. On the Fluvanna County Public Schools website

3. At the County Treasurer's Office

4. At Fluvanna County Public Meetings

5. In personal property bills

6. In real property bills not sent directly to a mortgage holder institution

3.12. Capital Improvements Program (CIP)

BOS Adopted – January 18, 2017

3.12.1. Purpose. The Capital Improvements Program (CIP) is a five-year plan that prioritizes and provides a funding mechanism for large-scale capital infrastructure improvements for Fluvanna County and Fluvanna County Public Schools. The CIP is an integral part of the County's overall budget. See Virginia Code Sec. 15.2.2239.

3.12.2. Policy

A. Capital Projects. A capital project is one that requires a minimum expenditure of $50,000 (see Fleet Vehicle exception in 3.12.2.B below), has a useful life span of ten years or more, and meets one or more of the following criteria:

1. Provides for the acquisition or construction of any physical facility, including both real and personal property, for the community, to include consultant or professional services related to acquisition or construction;

2. Provides for the acquisition of equipment for any physical facility when first constructed or acquired;

3. Provides for the ongoing acquisition of major capital equipment or systems, e.g., computer technology, radio systems;

4. Provides for the acquisition of land or an interest in land;

5. Provides for the acquisition of facilities for County owned public utilities.;

6. Funds expenditures, including additions to existing facilities, that increase the square footage or value of a facility; or

7. Fund expenditures for major maintenance or replacement projects on existing facilities.

B. Fleet Vehicles. Funding for individual fleet vehicle replacements below the normal $50,000 threshold shall also be included in the CIP.

C. Other Capital Outlays

1. Individual maintenance, repair and replacement (MRR) projects not meeting the Capital Projects criteria above are not presented as separate CIP projects. Such MRR projects are approved and funded individually through the Capital Reserve Maintenance Fund (CRMF) program.

2. Overall funding for both the County and Schools CRMF programs is provided through the annual CIP process.

3.12.3. Benefits of Capital Improvement Programming.

A. The CIP is a means of implementing the recommendations of the County's Comprehensive Plan, but proposed projects are not limited to those listed in the plan. Projects pertaining to the renovation, maintenance and/or construction of public facilities, equipment purchases and land acquisition for public use are included in the capital improvement program. All projects included in the CIP are classified in five categories: General Government Administration, Public Works, Public Safety, Community Services, and Education.

B. The current budget year of the Capital Improvements Program is called the Capital Budget, and funds are appropriated on an annual basis for projects in the CIP in the same manner as funds are appropriated in the County's annual operating budget. Those projects scheduled in the CIP for subsequent years are approved for planning purposes only and do not receive expenditure authority until they become part of the capital budget.

C. The CIP serves as a planning and implementation tool for the acquisition, development, construction, maintenance, and renovation of public facilities, infrastructure, capital equipment, and vehicles. Benefits of Capital Improvement Programming include:

1. Fostering a sound and stable financial program over a five year period given a set of revenue and expenditure assumptions based on current economic trends;

2. Coordinating various County improvements so that informed decisions can be made and joint programs initiated among County departments in an effort to avoid duplication;

3. Enabling private businesses and citizens to know when certain public improvements will be undertaken so they can plan more efficiently and effectively;

4. Focusing on the goals and needs of the community through the provision of new facilities and infrastructure improvements;

5. Evaluating annually the infrastructure needs of the County to provide for the public health and safety of the citizens of the County; and

6. Providing a logical process for assigning priorities to the various projects based on their overall importance to the County.