

# Chapter 12

## FINANCIAL SUSTAINABILITY

### *Managed Growth that Benefits Fluvanna's Citizens*

Through the Comprehensive Plan, Fluvanna County's leaders and citizens set goals and strategies that balance expansion against the fiscal strain of supporting an increasing population. Virginia's Declaration of Legislative Intent (§15.2-2200) states that in planning for the future development of communities "that the growth of the community be consonant with the efficient and economical use of public funds."

County leaders must, in all decisions, recognize that they are the stewards for the people's money. **Expenditures and obligations are entered into only when it is in the people's best interest.** Each year the County develops a Capital Improvement Plan (CIP) that guides major capital expenditures for the County. The annual review process for the CIP utilizes the goals and strategies in the Comprehensive Plan. Decisions to implement the CIP and obligate county taxpayers for major capital projects are made with gravity and respect for public funds. When the County presents financial data about capital improvements, it does not merely state the capital cost and financing of a project, but shows the estimated tax impact of the debt service plus any ongoing costs necessary to maintain and staff the project in the future. The County strives to run itself like a business seeking the best return on investment for its citizens while still providing the product and services that are its foundation.

### EXISTING CONDITIONS

The County is organized along functional lines and the annual budget includes a discussion of each department's objectives and significant changes in operations. Each narrative provides a breakdown of expenditures by function, including the number of full-time and part-time positions in each department.

#### **Financial Planning**

The Comprehensive Plan, Capital Improvements Program (CIP), and current economic conditions are used to derive the annual budget. This section discusses how the county's priorities are established and achieved, what checks and balances exist, and how successful the County's process has been to date. This provides the foundation for a detailed discussion of how the budget is developed.

#### *Establishing Priorities*

The foundation for establishing the County's priorities and strategies for implementation are achieved within the following primary planning and financial management tools:

### Comprehensive Plan

The Comprehensive Plan provides findings and analyses for the County as a whole with respect to natural conditions, population and demographics, economy, housing, transportation, utilities, and community facilities and services. The plan establishes the County's goals and identifies specific strategies to achieve those goals and the overall vision of the plan. The Comprehensive Plan is reviewed every five years to ensure that it remains a relevant planning and policy implementation tool.

### Capital Improvement Program (CIP)

The CIP is a five year plan that tries to anticipate all new or replaceable capital needs. A capital project is defined as a generally non-recurring asset, both tangible (e.g., buildings, vehicles, land, etc.) and intangible (e.g., software, easements, licenses, studies, services, etc), that exceeds an established dollar amount ( $\geq$ \$20,000 in Fluvanna County). Projects to be included in the annual budget are identified in the first year of the plan and all other capital projects are planned for later years. An important aspect of the CIP is the projected operational and maintenance costs of a proposed project.

### Annual Budget

The annual budget is the primary operational mechanism for achieving the priorities and strategies established in the Comprehensive Plan and Capital Improvements Program, including the daily operations necessary for implementation of the County's identified needs, services, and projects. This detailed and ongoing process is critical to the successful implementation of the community's goals and vision within a sustainable and fiscally responsible framework. The annual budget is outlined in more detail in the Budget Methodology and Budget Process sections, along with an overview of other budget components.

### *Checks & Balances*

A number of policies and procedures work in tandem to ensure responsible and consistent government investment and operations. The Board of Supervisors periodically adopts and amends their financial policies to provide better clarification, more procedural detail, stronger documentation of management actions, and to account for other changes within the County related to development, demographics, or other socio-economic factors.

### Investment Policy

The Board of Supervisors has adopted a formal Investment Policy to safeguard principal, meet liquidity objectives, and seek fair value rates of return within the parameters of the Code of Virginia.

### Fund Balance Policy

The Board of Supervisors has a fund balance policy for the County's General Fund. The policy sets the minimum undesignated, unreserved fund balance to be at least 12 percent of Governmental General Fund Revenues and Component Unit – School Board Operating Revenues.

### Debt Management Policy

This policy establishes parameters and provides guidance for limitations of debt and the continuing evaluation of, and reporting on, all debt obligations issued by the County. The policy sets the limitation for tax supported debt not to exceed 3.5 percent of the taxable value of property (assessed value). The policy also sets the limit that debt service expenditures shall not exceed 12 percent of the revenues of the total governmental fund operating revenues.

### Accounting and Financial Reporting Policy

The monthly financial report details the county's monthly revenue and expenditure activity. It shows each department's monthly expenditures in relation to the adopted budget as well as the revenue collection trends for the county. The County regularly monitors revenue estimates to identify any shortfalls and potential trends that would significantly affect the various revenue sources in the current budget. A significant emphasis is placed on controlling departmental expenditures to the adopted budget through accounts payable and purchasing card policies and procedures.

The Comprehensive Annual Financial Report (CAFR) presents the County's financial statements at June 30<sup>th</sup> of each year. This report is generated in accordance with the Governmental Accounting Standards Board (GASB), Financial Accounting Standards Board (FASB), and the Auditor of Public Accounts of the Commonwealth of Virginia standards. This report includes an annual audit opinion by an independent accounting firm on the fairness and accuracy of the financial statements.

Fluvanna has received the Government Finance Officers Association (GFOA) Certificate of Excellence in Financial Reporting designation since 2007. This distinction is important in that it establishes a nationally recognized benchmark for excellence in financial operations. The quality of the CAFR and certificate of excellence recognition demonstrate the County's commitment to financial transparency and responsibility.

### **Budget**

The budget establishes the revenue and expenditure appropriations for the governmental and proprietary funds, and is developed in accordance with generally accepted accounting principles (GAAP). As part of the budgetary process, the Capital Improvements Program is also adopted. All appropriations conclude at year-end, except those for the Capital Projects Fund and Grant Funds. The Board of Supervisors allows the appropriations for capital and grant funded projects to carry forward until completion of the project.

### *Process*

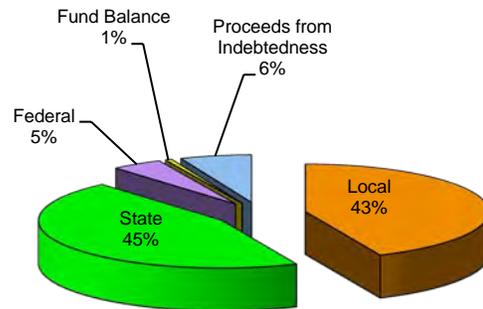
Fluvanna County's budget development begins each year in November with a kick-off meeting and concludes with the final budget adoption in April. The process is designed so that county administration can work closely with departments in determining the proposed annual budget. Each budget request is thoroughly reviewed to ensure funds are allocated appropriately. In late January, the County Administrator submits the proposed fiscal year operating budget to the

Board of Supervisors for consideration. In April, a public hearing is held to inform citizens and obtain their input on the proposed budget. The budget is also available to citizens on the County’s website ([www.fluvannacounty.org](http://www.fluvannacounty.org)) throughout the year and during budget development process.

Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles applicable to governmental units. Budgeted amounts reflected in the financial statements are as originally adopted. Appropriations for the General Fund, School Fund, and Enterprise Funds conclude at the end of the fiscal year. Appropriations for capital projects funds and grant funds are continued until the completion of the applicable project or grant, even when the project or grant extends beyond the end of the fiscal year. The Board of Supervisors must approve supplemental appropriations or amendments that alter the total appropriation of any fund.

**Fund Structure**

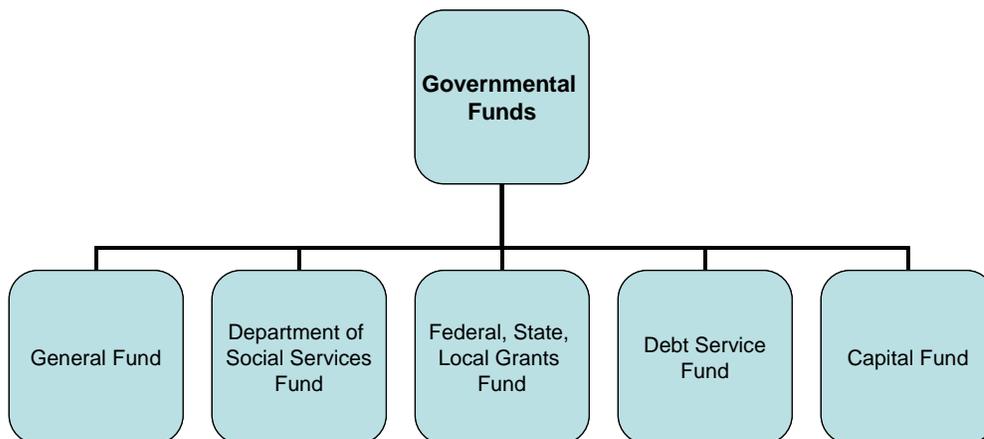
The budget of the County is organized by fund type, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds are grouped as follows:



*Figure FS-1, Typical General Revenue Sources*

**Governmental Funds**

Governmental funds are those through which most governmental functions of the county are financed. The government reports the following major governmental funds.



*Figure FS-2, Fund Structure*

- **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 that are not required to be accounted for in another fund. Examples of other funds that are specifically designated or required by law to be separate are discussed below such as the Debt Service and Capital Project funds. Approximately 80 percent of revenues are primarily derived from general property taxes such as real estate taxes, personal property taxes, and public service corporations. A significant part of the General Fund's revenue is used to maintain and operate the government and school system. A portion is also transferred to other funds primarily to fund debt service requirements and capital projects. Expenditures include those for general government, Comprehensive Services Act, emergency communications (E-911), education, public safety, social services, and culture and recreation. The General Fund is considered a major fund for government-wide reporting purposes.
- **Debt Service Fund**

The Debt Service Fund accounts for the payment of annual principal and interest on general and school related long-term debt. Debt Service Fund resources are derived from transfers from the General Fund.
- **Capital Projects Fund**

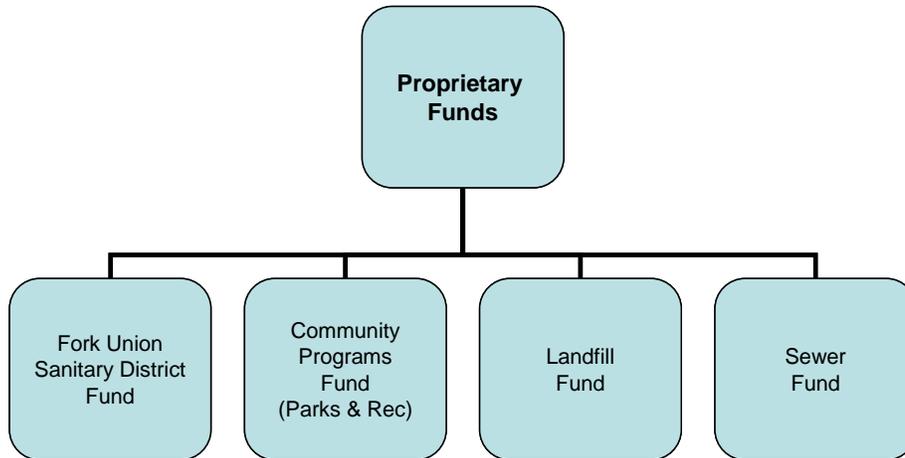
The Capital Projects Fund (Capital Improvements) accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds, including general government and school system capital projects. The projects are financed through a combination of proceeds from general obligation bonds, operating transfers from the General Fund, and grants. The Capital Projects Fund is considered a major fund for government-wide reporting purposes.

#### Fiduciary Funds (Trust and Agency Funds)

Fiduciary Funds account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The County's only Agency Fund is the Special Welfare Fund.

#### Proprietary Funds

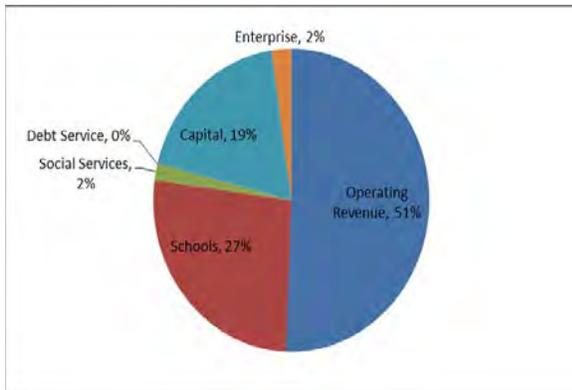
Proprietary funds account for operations that are financed and operated in a manner similar to private business enterprises. These funds are self-supporting in that the users pay fees to recover the cost of providing services. The Proprietary Fund measurement focus is based upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds such as the Fork Union Sanitary District, Landfill, Recreation Program, and Utility accounts.



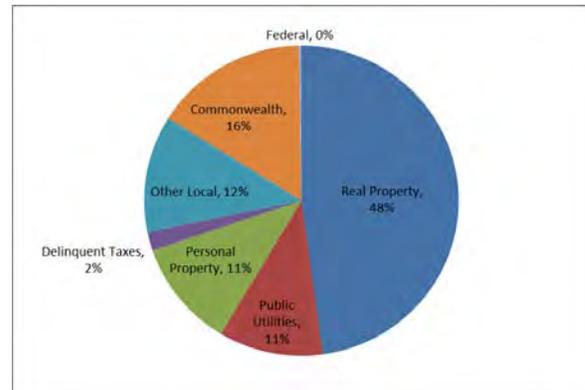
**Figure FS-3, Fund Structure**

**Governmental Revenues**

A significant portion of fiscal year revenues are generated from general property taxes (approx. 80 percent). The graph below depicts the sources of local revenue for the County.

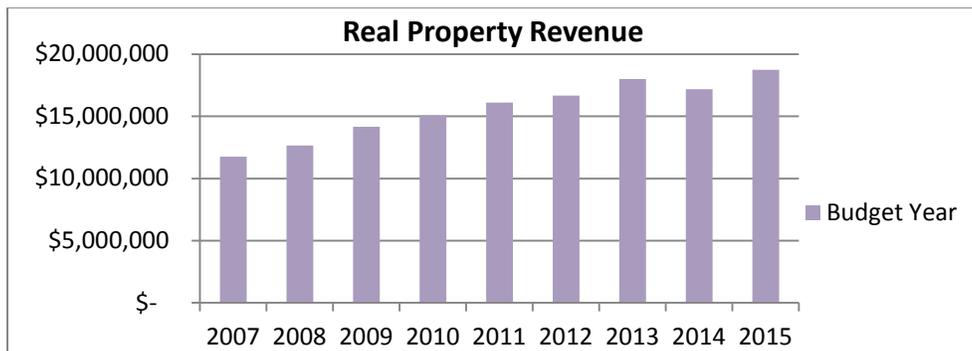


**Figure FS-4, FY15 Total Revenues**



**Figure FS-5, FY15 Operating Revenue**

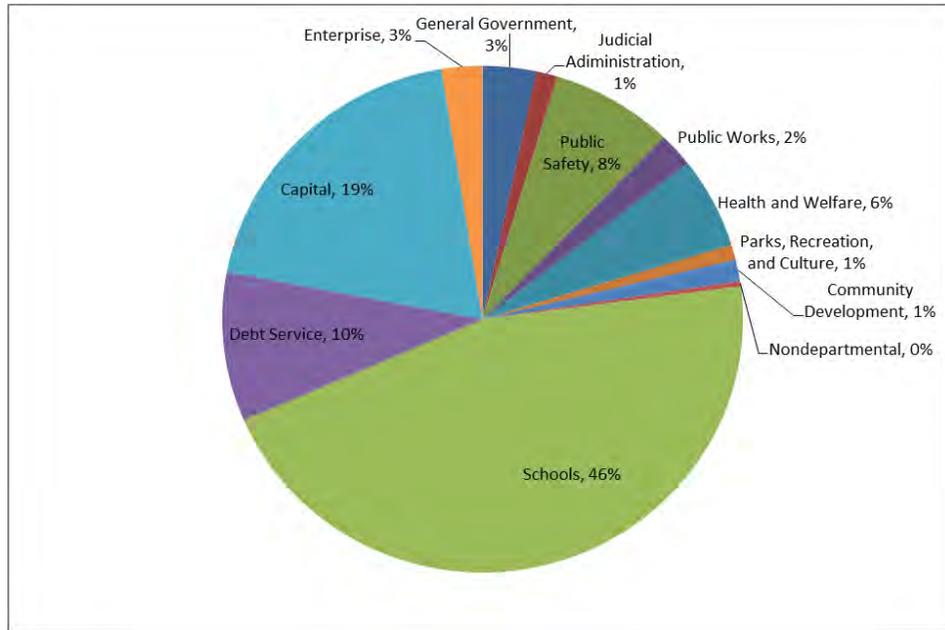
Real property values are shown in the graph below. The rate of increase does not reflect the rate of growth in the County; however, it reflects the increased value in property in the County.



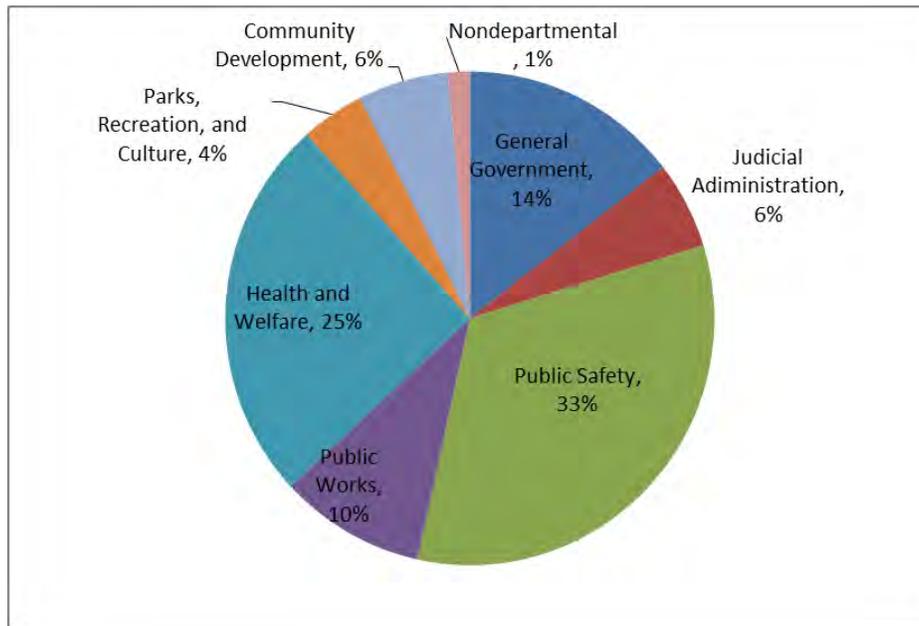
**Figure FS-6, Real Property Revenue**

**Governmental Expenditures**

The fiscal year 2015 budget was \$80,105,825 including \$36,481,936 for schools. This represents an increase of \$13.71 million (20.65 percent) from the fiscal year 2014 budget.



**Figure FS-7, FY15 Total Expenditures**



**Figure FS-8, FY15 Operating Expenditures**