

# Principles of Sound Financial Management

Prince William County

October 2009

**Board of County Supervisors**

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## **Introduction**

Prince William County initially adopted the Principles of Sound Financial Management in December 1988 and amended the Principles of Sound Financial Management in 1993, 1996, 1999, and 2009. This is the fifth amendment of the Principles of Sound Financial Management. Policy changes may be needed as the County and its citizen base grows and becomes more diverse and complex. Following these principles has enhanced the County's image and credibility with the public, credit rating agencies, and investors. Many of the people and businesses who deal with the County (including the rating agencies) take comfort that the County established, adheres to, and periodically updates its guiding financial policies. It is important to regularly engage in the process of financial planning including reaffirming and updating these financial guidelines.

The “Principles of Sound Financial Management” apply to the County and its agencies, but do not apply to the Prince William County Service Authority and the Prince William County School Board, which are independent entities.

## Table of Contents

|   |    |
|---|----|
| Fund Balance .....                                  | 1  |
| Fiscal Planning.....                                | 3  |
| Revenues .....                                      | 5  |
| Capital Improvement Program and Capital Assets..... | 7  |
| Debt Management .....                               | 9  |
| Cash Management.....                                | 11 |
| Personnel.....                                      | 12 |
| Internal Control and Financial Reporting .....      | 13 |
| Risk Management .....                               | 15 |
| Procurement .....                                   | 16 |
| Economic Development Management.....                | 17 |
| Policy Review .....                                 | 18 |
| Glossary .....                                      | 19 |
| Appendix.....                                       | 22 |

## **Policy I Fund Balance**

*Fund balance measures the net financial resources available to finance expenditures of future periods. Rating agencies examine fund balance when considering the overall economic health of the County and the credit quality of the County.*

### **1.00 Unassigned Fund Balance**

1.01 The County's Unassigned General Fund Balance will be maintained to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

1.02 The Unassigned General Fund Balance should not be used to support recurring operating expenditures outside of the current fiscal year. The Unassigned General Fund Balance shall be used only to cover local and regional emergencies. If the Unassigned General Fund Balance is used for such emergencies, the County will take measures necessary to prevent its use in the following fiscal year by increasing General Fund revenues and/or decreasing its expenditures.

1.03 The Unassigned General Fund Balance can only be appropriated by a resolution of the Board of County Supervisors.

1.04 Except for the provisions contained in Policy 1.05, the Unassigned General Fund Balance will not be less than seven and one-half percent (7.5%), of the year's General Fund revenues in every fiscal year, with the exception noted in Policy No. 1.05 below.

1.05 In the event the Unassigned General Fund Balance is used to provide for temporary funding of unforeseen emergency needs, the County shall restore the Unassigned General Fund Balance to the minimum level of seven and one-half percent (7.5%) of General Fund revenues within two fiscal years following the fiscal year in which the event occurred. The plan to restore the Unassigned General Fund Balance shall be included and highlighted in the County's Adopted Five Year Plan.

1.06 Funds in excess of 7.5% of the annual requirements of Policy No. 1.05 above may be retained in the Unassigned General Fund Balance, or may be considered to supplement "Pay as you go" capital outlay expenditures or to prepay existing County debt.

## **1.10 Committed Fund Balance**

1.11 The County shall maintain a portion of the General Fund as a Revenue Stabilization Fund to provide the County with sufficient working capital and a margin of safety to withstand local and regional economic shocks, and unexpected declines in revenue without borrowing.

1.12 The Revenue Stabilization Fund may be used to cover a portion of local and regional economic shocks and/or unexpected declines in General Fund revenues greater than 3.0% as compared to the current adopted fiscal plan. If the Revenue Stabilization Fund is used, the County will take measures necessary to replenish its balance to the minimum level described within five years following the year(s) in which it was used. The plan to restore the Revenue Stabilization Fund shall be included and highlighted in the County's Adopted Five Year Plan.

1.13 The Revenue Stabilization Fund can only be appropriated by a resolution of the Board of County Supervisors.

1.14 Except for the provisions contained in Policy 1.12 and Policy 1.16, the Revenue Stabilization Fund will not be less than one percent (1.0%) of the year's General Fund revenues within each Five Year Plan fiscal planning cycle.

1.15 Funds in excess of 1.0% of the annual requirement of Policy No. 1.14 above may be retained in the Revenue Stabilization Fund, or may be transferred to the Unassigned General Fund Balance described in Policy No. 1.00.

1.16 In the event of a local or regional emergency, the entire balance of the Revenue Stabilization Fund may be appropriated by a resolution of the Board of County Supervisors to provide for additional temporary funding of unforeseen emergency needs.

## **Policy II Fiscal Planning**

*The budget is one of the most important documents the County prepares since it identifies the services to be provided and how the services are to be financed.*

2.01 The County Executive shall submit to the Board of County Supervisors a Five-Year Budget Plan, including revenue and expenditure projections. The Five-Year Budget Plan shall provide multi-year impacts of fiscal decisions, and weigh the corresponding implications of tax rates and other revenue sources. The budget that will be submitted by the County Executive shall be in compliance with the Financial and Program Planning Ordinance requirements included in Section 2-1, Government Services, Planning, Budgeting and Accountability of Chapter 2- Administration, of the Prince William County Code.

2.02 The Five-Year Budget Plan shall provide for the County-School Revenue Agreement which splits the County's General Revenues with the Schools via an existing agreement.

2.03 Every year of the annual Five-Year Fiscal Plan will be balanced.

2.04 The County Executive will budget revenues and expenditures on the basis of a fiscal year which begins July 1 and ends on the following June 30. 2.05 The County Executive will prepare a budget in accordance with the guidelines established by the Government Finance Officers Association in its Distinguished Budget Award Program.

2.06 The annual fiscal plan will contain the following:

- a) Revenue estimates by major category;
- b) Expenditure estimates by program levels and major expenditure categories;
- c) Debt service summarized by issues detailing principal and interest amounts by fund.

2.07 The annual fiscal plan will also contain information regarding:

- a) Proposed personnel staffing levels;
- b) A detailed schedule of capital projects;
- c) Any additional information, data, or analysis requested of management by the Board of County Supervisors.

2.08 The Board of County Supervisors will adopt the budget no later than April 30.

2.09 A quarterly report on the status of the general fund budget and trends will be presented to the Board of County Supervisors within 45 days of the end of each quarter.

In addition, the quarterly report shall include revenue and expenditure projections through the end of the fiscal year.

2.10 The unencumbered and encumbered balances will be considered for reappropriation in the subsequent fiscal year for multi-year projects in a resolution amending the adopted budget.

2.11 The County will fund current expenditures with current revenues and other resources.

2.12 The County will not balance the current budget at the expense of meeting future years' expenditures; for example, the County will not accrue future years' revenues or roll over short-term debt to avoid planned retirement. The County will not use debt to fund current operations.

2.13 If a deficit is projected during any fiscal year, the County will take steps to reduce expenditures, increase revenues or, if a deficit is caused by an emergency, consider using the Revenue Stabilization Fund and/or the Unassigned General Fund Balance, to the extent necessary to ensure a balanced budget at the close of the fiscal year.

2.14 The County will annually appropriate a Contingency Budget to provide for unanticipated increases in service delivery costs and needs that may arise throughout the fiscal year. The Contingency Budget will be established at a minimum of \$500,000 annually and may be allocated only by resolution of the Board of County Supervisors.

2.15 Officials and department heads are required to monitor revenues and control expenditures to prevent exceeding the amount of local tax support budgeted for their department and their total departmental expenditure budget.

2.16 The County will maintain a Capital Plant and Equipment Replacement Schedule which provides a five-year estimate of the funds necessary to maintain and replace the County's capital plant and equipment. The Capital Plant and Equipment Replacement Schedule will be updated as part of the Capital Improvement Program planning process.

### **Policy III Revenues**

*The County collects revenues from many sources, the largest of which is from property taxes, to provide services and meet operational needs. The structure, fluctuation, and collection of revenues are examined by rating agencies to determine the County's credit quality.*

3.01 The County will strive to maintain a diversified and stable revenue system to shelter it from short-term fluctuations in any one revenue source.

3.02 Major revenue sources should provide for the following principles:

- a) **Vertical Equity.** Revenue sources should provide appropriate treatment of taxpayers at different economic levels.
- b) **Horizontal Equity.** Revenue sources should treat taxpayers with the same income or wealth equally.
- c) **Neutrality.** Revenue sources should not unduly influence economic decisions by consumers or business except for targeted development or redevelopment programs approved by the Board of County Supervisors.
- d) **Administrative and Compliance Costs.** Revenue administration and enforcement should not absorb an undue percentage of revenue collected.

3.03 The County will monitor all taxes to insure they are equitably administered and collections are timely and accurate. The County will aggressively collect property taxes and related penalties and interest as authorized by the Code of Virginia.

3.04 The County will periodically recalculate the full costs of providing services in order to provide a basis for setting the associated service charge or fee. Full cost shall incorporate direct and indirect costs, including operations and maintenance, overhead, and charges for use of capital facilities, thereby setting fees at a level that is related to the cost of producing the good or service, unless otherwise restricted by law. The County will examine periodically current competitive rates, establish new charges and fees as needed and as permitted by law.. It is recognized that occasionally competing policy objectives may result in user fee levels that recover only a portion of service costs.

3.05 The County Executive will provide the Board of County Supervisors with an estimate of the County's revenues annually for each of the following five fiscal years. The revenue estimate that will be submitted by the County Executive shall be in compliance with the Financial and Program Planning Ordinance requirements included in Section 2-1, Government Services, Planning, Budgeting and Accountability of Chapter 2 - Administration, of the Prince William County Code.

3.06 The County will assess all property annually as of January 1 in accordance with Title 58.1 of the Code of Virginia. Real property assessments shall be based on fair market value and follow standards established by the International Association of Assessing Officers. Personal property assessments shall be based on the average trade-in value as supplied by a nationally recognized organization, or a percentage or percentages of original cost which reasonably approximate market value.

3.07 The County may provide, as appropriate, tax exemptions to non-profit organizations such as churches, governmental entities or other charitable, benevolent or educational institutions pursuant to the state and local guidelines. Considerations for exemptions should be based on such considerations as benefits to the County and the fiscal capacity of the County.

3.08 The County will achieve maximum possible accuracy in its annual assessment to sales ratio when the annual January 1 assessment is compared to sales in the preceding calendar year. The County expects to achieve maximum possible accuracy by implementing state of the art assessment practices. The County will maintain an average error, measured by the coefficient of dispersion (COD), and assessment to sales ratio better than the current professional standards which is 90% assessment to sales ratio and 10% COD as published by the International Association of Assessing Officers.

3.09 The County will pursue intergovernmental aid, including grants, for those programs and activities that address a recognized need and are consistent with the County's long-range objectives, and will attempt to recover all allowable costs associated with those programs. Any decision to pursue intergovernmental aid should be consistent with the County's Grants Management Policies and Procedures Manual and include the consideration of the following:

- a) Present and future funding requirements.
- b) Cost of administering the funds.
- c) Costs associated with special conditions or regulations attached to the grant award.
- d) When grants are reduced or eliminated, the program or project it supported will be reduced by a commensurate amount.

## **Policy IV**

### **Capital Improvement Program and Capital Assets**

*The County's assets are held primarily in the form of infrastructure, physical assets, or capital plant, such as roads, buildings, and equipment. Sound infrastructure is an important aspect of the quality of life, economic development, and the credit quality of the County.*

*Dedicating resources to capital investment is appropriate for a growing county such as Prince William County. Committing to and implementing the County's capital investment program will protect its capital assets and minimize future maintenance and replacement costs.*

4.01 The County will invest a minimum of 10% of the annual General Fund revenues allocated to the County's operating budget in the Capital Improvement Program. The amount invested can be in the form of debt service or some other source of monies. The County will direct its annual allocation for its capital investments to County projects which best support the County's strategic goals, the comprehensive plan and facility master plans.

4.02 The County Executive will annually submit a six-year Capital Improvement Program for review by the Board of County Supervisors. The Capital Improvement Plan may include capital improvements for all agencies for which the County sets tax rates, makes levies or approves budgets or programs. Submission of the Capital Improvement Program shall be consistent with the requirements of Section 15.2-2239, Virginia Code Annotated; and with the requirements of the Financial and Program Planning Ordinance included in Section 2-1, Government Services, Planning, Budgeting and Accountability of Chapter 2- Administration, of the Prince William County Code. The Capital Improvement Program shall include the following elements:

- a) An implementation program for each of the capital improvements.
- b) A statement of the objectives of the Capital Improvement Program and the relationship with the comprehensive plan and the County's strategic plan.
- c) An estimate of the cost and of the anticipated sources of revenue for financing the capital improvements and an estimate of the impact of each capital improvement on County revenues and the capital and operating budget, including estimated debt service costs, if applicable.

4.03 The County will fund programs and activities identified in the Capital Improvement Program with the most appropriate revenue sources. Such revenues as the

volunteer fire levy, proffers and user fees such as solid waste fees and stormwater fees are to be used exclusively for the purpose for which they were paid.

4.04 The County will return remaining appropriated funds upon the completion of any capital project to the most appropriate capital reserve.

4.05 When current revenues or resources are available for capital improvement projects, consideration will be given first to those capital assets with the shortest useful life and/or to those capital assets whose nature makes them comparatively more difficult to finance with bonds or lease financing.

4.06 Nonrecurring revenues, which cannot be used to fund recurring costs and are not required to meet the Unassigned Fund Balance objectives in Policy No. 1 (Fund Balance), should be used for nonrecurring capital expenditures or the early retirement of existing County debt.

## **Policy V Debt Management**

*The County will maintain a high credit rating in the financial community to: 1) assure the County's taxpayers that the County government is well managed and financially sound; 2) obtain reduced borrowing costs. The County will consider long-term debt financing when appropriate.*

5.01 The County will consider the project and its useful life and utilize the most appropriate method to finance the project. Financing may include debt financing or "pay as you go" or other financing sources.

5.02 Whenever the County finds it necessary to issue tax supported bonds, the following policy will be adhered to:

- a) Tax supported bonds will, whenever feasible, be issued on a competitive basis unless market conditions favor negotiated sales.
- b) Average weighted maturities for general obligation bonds of the County, and whenever possible for any type of annual appropriation debt, will be maintained at ten and one half (10 1/2-) years.
- c) General obligation bond issues, and whenever possible for any type of annual appropriation debt, will be structured to allow an equal principal amount to be retired each year over the life of the issue thereby producing a total debt service with an annual declining balance.
- d) Annual tax supported debt service expenditures for all debt of the County shall not exceed 10% of annual revenues.
- e) Total bonded debt will not exceed 3% of the net assessed valuation of taxable real and personal property in the County.
- f) Bond financing will be confined to projects which would not otherwise be financed from current revenues.
- g) The term of any bond note or lease obligation issue will not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.

5.03 The County shall comply with all U.S. Internal Revenue Service rules and regulations regarding issuance of tax exempt debt including arbitrage rebate requirements for bonded indebtedness, and with all Securities and Exchange Commission requirements for continuing disclosure of the County's financial condition, and with all applicable Municipal Securities Rulemaking Board requirements.

- 5.04 The County shall comply with all requirements of the Public Finance Act as included in Title 15.2 of the Code of Virginia and other legal requirements regarding the issuance of bonds and certificates of the County or its debt issuing authorities.
- 5.05 The County shall employ the "Principles of Sound Financial Management" in any request from a County agency or outside jurisdiction or authority for the issuance of debt.
- 5.06 The issuance of variable rate debt by the County will be subject to the most careful review and will be issued only in a prudent and fiscally responsible manner.
- 5.07 The County will adhere to the following guidelines when it finds it necessary to issue revenue bonds,
- a) For any bonds or lease anticipation or appropriation debt in which the debt service is partially paid from revenue generated by the project and partially paid from tax sources, the portion of the bond or lease to the extent that its debt service is paid from non tax sources shall be deemed to be revenue bonds and are excluded from the calculation of the annual debt service limitation in Policy 5.02d and 5.02e.
  - b) Revenue bonds of the County and any of its agencies will be analyzed carefully by the Department of Finance for fiscal soundness. The issuance of County revenue bonds will be subject to the most careful review and must be secured by covenants sufficient to protect the bondholders and the credibility of the County.
  - c) Revenue bonds will, whenever feasible, be issued on a competitive basis and will be structured to allow an approximately equal annual debt service amount over the life of the issue.
  - d) Reserve funds, when required, will be provided to adequately meet debt service requirements in the subsequent years.
  - e) Interest earnings on the reserve fund balances will only be used to pay debt service on the bonds.
  - f) The term of any revenue bond or lease obligation issue will not exceed the useful life of the capital project or equipment for which the borrowing is intended.
- 5.08 The County will not use debt financing to fund current operations.
- 5.09 The County does not intend to issue bond anticipation notes (BANS), tax anticipation notes (TANS), or revenue anticipation notes (RANS) for a period longer than two years. If the BAN is issued for a capital project, the BAN will be converted to a long-term bond or redeemed at its maturity.

## **Policy VI Cash Management**

*Cash management is the practice of safeguarding and maximizing the income earned on liquid assets. Cash, liquidity, and investment management activities shall be conducted prudently. The County shall maintain adequate management procedures, controls, and policies for the County's liquid assets.*

6.01 The Director of Finance, as Chief Investment Officer, shall invest all funds of the County according to four criteria, in order of their importance: (1) legality, (2) safety (3) liquidity, (4) yield.

6.02 All County funds will be invested in compliance with the Investment of Public Funds Act contained in §2.2-4500 thru §2.2-4518 of the Code of Virginia.

6.03 The County shall maintain a written Investment Policy approved by the Board of County Supervisors.

**Policy VII**  
**Personnel**

*County personnel are enjoined to adhere to legal, moral, ethical, and professional standards of conduct in the fulfillment of their professional responsibilities. Personnel costs are the most significant portion of the County's operating budget.*

7.01 The County shall maintain written personnel policies in accordance with County, State and Federal laws.

7.02 The County shall have an employee compensation policy to provide competitive salaries.

## Policy VIII

### Internal Control and Financial Reporting

*Internal control or the system of internal controls is the integration of activities, plans, attitudes, policies, and efforts of the people in an organization working together to provide reasonable assurance that the organization will achieve its goals and objectives. Financial reporting provides the informational infrastructure for the County.*

8.01 The County will maintain a system of internal controls in order to maintain accountability to the citizens of the County and the Board of County Supervisors, meet established goals and objectives, promote adherence to laws and regulations, encourage sound financial and operational practices, develop and maintain accurate, reliable and timely financial and management data, safeguard assets/resources, prevent, detect and deter fraud, and facilitate both internal and external audits.

8.02 The County will comply with Generally Accepted Accounting Principles (GAAP) in its accounting and financial reporting, as contained in the following publications:

- a) Codification and Pronouncements of Governmental Accounting and Financial Reporting Standards, issued by the Governmental Accounting Standards Board (GASB).
- b) Codification and Pronouncements of Accounting and Financial Reporting Standards, issued by the Financial Accounting Standards Board, (FASB).
- c) Governmental Accounting, Auditing, and Financial Reporting (GAAFR), issued by the Government Finance Officers Association (GFOA) of the United States and Canada. The County will prepare its comprehensive annual financial report in compliance with the GFOA's Certificate of Achievement for Excellence in Financial Reporting Program.
- d) Uniform Financial Reporting Manual for Virginia Counties, issued by the Commonwealth of Virginia Auditor of Public Accounts (APA). The County's comprehensive annual financial report will be issued by November 30 of each year for the preceding fiscal year to the APA and to the Board of County Supervisors as required by the Code of Virginia.
- e) State and Local Governments – Audit and Accounting Guide, an industry guide published by the American Institute of Certified Public Accounts (AICPA).
- f) Government Accounting Standards, issued by the Comptroller General of the United States.

8.03 The County will contract for a comprehensive financial audit, including an audit of federal grants in accordance with U.S. Office of Management and Budget Circular A-

133, Audits of States, Local Governments and Non-Profit Organizations, to be performed annually by an independent external auditor (public accounting firm). The independent external auditor will express an opinion on the County's Financial Statements.

8.04 The County will maintain an Internal Audit function in order to enhance the County's overall control environment. The Internal Audit staff shall govern themselves by adhering to the Institute of Internal Auditors' *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing* as well as *Generally Accepted Government Auditing Standards*.

8.05 The County will establish and maintain a "Board Audit Committee" to govern and provide oversight of the County's internal control environment. The Board Audit Committee will coordinate activities between the Board of County Supervisors, the independent external auditor(s) and the internal auditor(s) in connection with the annual comprehensive financial audit and other internal and external audits.

**Policy IX**  
**Risk Management**

*Risk Management functions to protect County resources such as employees, buildings, equipment, vehicles, and financial assets. The County will manage its risk and limit risk exposure in a professional and prudent manner.*

9.01 The County shall make diligent efforts to protect and preserve County assets against losses that could deplete County resources or impair the County's ability to provide services to its citizens. The County shall reduce its exposure to liability through training, safety, risk financing and the transfer of risk when cost effective.

9.02 The County shall manage its exposure to risk through the most appropriate means of self insurance and, or the purchase of traditional insurance in the following areas:

- a) general liability,
- b) automobile liability,
- c) public officials' errors and omissions,
- d) police professional liability,
- e) property loss and workers' compensation.

9.03 The County will further control its exposure to risk through the use of hold harmless agreements in County contracts and by requiring contractors to carry liability insurance.

**Policy X**  
**Procurement**

*Procurement authorizes contracts using monetary assets of the County to purchase products and services. All acquisitions must be performed in accordance with applicable laws and regulations.*

10.01 The County will endeavor to obtain supplies, equipment and services as economically as possible.

10.02 The County will establish purchasing guidelines consistent with all applicable state and federal laws.

10.03 The County will maintain a purchasing system which provides needed services and materials in a timely manner to avoid interruptions in the delivery of services.

**Policy XI**  
**Economic Development**

*The County's economic base is an important element and has a dramatic influence on the County's financial health in determining the County's quality of life and credit rating. .*

12.01 The County shall continue to expand and diversify its economic base by attracting industrial and commercial firms to the County. Special emphasis should be given to industrial and commercial enterprises that will employ the local labor force. Such business and industry will be in accordance with the plans and ordinances of the County.

12.02 The County will endeavor to utilize a network of public facilities that link planned industrial and commercial areas with its growing residential areas.

12.03 The County will endeavor to increase, to the greatest degree possible, its commercial/industrial tax base and at place professional employment within the County.

12.04 The County will perform a due diligence analysis of each economic development investment to evaluate the level of each type of risk associated with the economic development investment. The due diligence evaluation shall be presented to the Board of County Supervisors along with the economic development investment.

12.05 The County will perform a fiscal impact analysis on each economic development investment that evaluates the economic costs, economic benefits, intrinsic benefits and the levels of each type of risk associated with the economic development investment.

**Policy XII**  
**Policy Review**

13.01 The Board of County Supervisors will review and approve by resolution the financial policies contained in this document a minimum of once every two years after review with its staff.

13.02 The County Executive shall provide the Board of County Supervisors a written status report concerning Prince William County's compliance with the thirteen financial categories on an annual basis.

## Glossary

**Ad Valorem Tax.** A tax calculated "according to the value" of property. Such a tax is based on the assessed valuation of real property and, in certain cases, on a valuation of tangible personal property. (The principles define measuring value.) The tax is a lien on the property enforceable by seizure and sale of the property. General restrictions, such as overall restrictions on rates, or the percent of charge allowed, apply.

**Annual debt service expenditures.** Annual debt service for measuring debt capacity for the County shall include debt service on outstanding principal for:

- General Obligation Bonds of the County,
- Literary Fund Loan Notes
- Bonds issued to the Virginia Public School Authority and the Virginia Resources Authority
- All lease appropriation debt to the extent that it is supported by tax revenue, this *excludes* Revenue Bonds.

**Annual revenue.** Annual revenue for measuring debt capacity shall include the revenues of the General Fund and special revenue funds for the fiscal year in which the debt service expenditures occur.

**Arbitrage.** The gain which may be obtained by borrowing funds at a lower (often tax-exempt) rate and investing the proceeds at higher (often taxable) rates.

**Assessed Valuation.** The appraised worth of property as set by a taxing authority through assessments for purposes of ad valorem taxation. The method of establishing assessed valuation varies from state to state, with the method generally specified by state law. For example, in certain jurisdictions the assessed evaluation is equal to the full or market value of the property; in other jurisdictions the assessed valuation is equal to a percentage of the full market value.

**Bond.** A security that represents an obligation to pay a specified amount of money on a specific date in the future, typically with periodic principal and interest payments.

**Bond Anticipation Note (BAN).** Short-term interest-bearing security issued in anticipation of a long-term bond issue. The investors typically rely upon the sale of a subsequent issue of securities to pay the BAN at maturity.

**Capital Improvement Program.** The Capital Improvement Program (CIP) is a six-year plan of major, nonrecurring facility and infrastructure expenditures that expand or improve the County's physical assets. Projects shown in the CIP include physical descriptions, implementation schedules, cost and funding source estimates, statements of relationship to the Strategic Plan and Comprehensive Plan, and projected benefits to the community in terms of service delivery.

**Coefficient of Dispersion.** The average deviation of a group of numbers from the median expressed as a percentage of the median. In ratio studies, the average percentage deviation from the median ratio. This is a measure of the dispersion of a group of measurements relative to the median (center point) of that group. This statistic used as a measure of the dispersion or variation in a distribution.

**Debt Service.** The amount necessary to pay principal and interest requirements on Outstanding obligations for a given year or series of years.

**Debt Service Reserve Fund.** The fund into which funds are placed which may be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements. A typical reserve requirement might be the maximum aggregate annual debt service requirement for any year remaining until the bonds reach maturity.

**General Obligation Debt.** Debt that is secured by a pledge of the ad valorem taxing power of the issuer. Also known as a full faith and credit obligation.

**Full disclosure.** The Securities and Exchange Commission requires dissemination to interested parties of the County's annual financial statements. They also require that interested parties should be immediately notified of any material event (or events or information deemed material) that affect the County's ability to make payments to bondholders.

**Fund balance.** The difference between assets and liabilities in the governmental fund.

**Lease.** An obligation wherein a lessee agrees to make payments to a lessor in exchange for the use of certain property. The term may refer to a capital lease or to an operating lease.

**Tax supported bonds.** Bonds for which the funding used to make annual debt service expenditures is derived from tax revenue of the County's General and Special Revenue Funds.

**Revenue Bonds.** Bonds on which the debt service is payable from the revenue generated from the operation of the project being financed or from a category of facilities, or from other non-tax sources of the County.

**Total bonded debt.** For purposes of measuring debt capacity, total bonded debt shall include total outstanding principal for:

- General Obligation Bonds of the County,
- Literary Fund Loan Notes
- Bonds issued to the Virginia Public School Authority and the Virginia Resources Authority
- All lease appropriation debt to the extent that it is supported by tax revenue, this *excludes* Revenue Bonds.

**Turnback.** The projected under expenditure of current budget appropriations.

**Unassigned Fund Balance.** Used as a measure of the amount of resources a jurisdiction has available for spending, including its ability to meet special needs and withstand financial emergencies. In these policies, unassigned fund balance means it is neither earmarked nor reserved for other uses. It is available for discretionary spending.

**Variable Rate Bond or Note.** A bond or note on which the interest rate is reset periodically. The interest rate is reset either by means of an auction or through an index.

## Appendix

### Procedural Statements

#### Policy II – Fiscal Planning

- The first year of the Five Year Budget Plan shall be the proposed annual budget and shall include County Executive recommendations.
- The County Executive shall execute the budget as finally adopted, pursuant to Section 15.2-516 of the Virginia Code Annotated.
- The County Executive shall provide annually a Budget Preparation Schedule outlining the preparation timelines for the proposed budget.
- Budget packages for the preparation of the budget, including forms and instructions, shall be distributed to County departments to complete. Department and elected officials shall prepare and return their budget proposals to the Office of Executive Management, as required in the Budget Preparation Schedule.
- Budgeting procedures will attempt to identify distinct functions and activities and to allocate budget resources to perform these functions and activities as required.
- Alternatives for improving the efficiency and effectiveness of the County's programs and the productivity of its employees will be considered during the budget process.
- Duplication of services and inefficiency in delivery should be eliminated wherever identified. The County will continue to examine alternative service delivery options for all County functions.
- Performance measurement and productivity indicators will be integrated into the budget process as appropriate.

#### Policy IV – Capital Improvement Program and Capital Assets

- The County will maintain a schedule of capital fixed assets in its fixed asset accounting system.
- Consistent with the intent of the Capital Improvement Program state in Policy 4.02, the Capital Improvement Program should:
  - a) Present a plan for required capital improvements.

- b) Systematically improve and maintain the capital infrastructure of the County.
- c) Meet the debt ratio targets defined in Policy 5.02.
- d) Provide a schedule of proposed debt issuance.
- e) Be affordable within projected resources and list revenue stream projections.
- f) Show total costs and annual requirements for all projects, to include annual operating costs and debt service for all projects.

### **Policy VI - Cash Management**

- The County will collect, deposit and disburse all funds on a schedule which insures optimum cash availability.
- All County bank accounts shall be reconciled and reviewed on a timely basis.
- Investment performance will be measured using standard indices specified in the County's written investment policy.
- The County will optimize the amount of funds available for investment by rapid collection of money owed to the County. Cash invested shall at a minimum equal 100% of total bank cash balances.
- The County's Investment Oversight Committee will recommend investment strategies for managing the performance and structure of the County's investment portfolio.
- The County will maintain a cash flow tracking system for use in projecting the cash needs of the County to optimize the efficiency of the County's investment and cash management program.
- The Director of Finance shall provide the Board of County Supervisors with a quarterly investment report within 60 days of the end of any quarter.
- The County will conduct its treasury activities with financial institutions based upon written contracts.

### **Policy VII – Personnel**

- The County Executive may institute a cessation during the fiscal year on hiring, promotions, transfers, and capital equipment purchases. Such action will not be used arbitrarily and without knowledge and support of the Board of County Supervisors and will allow for exceptions in appropriate areas to comply with

emergency needs such as a loss or decline in a major revenue source or natural disaster.

**Policy VIII – Internal Control and Financial Reporting**

- Monthly financial data will be made available electronically through the County's online accounting system to all agency administrators allowing them to summarize financial activity and compare actual revenues and expenditures with budgeted amounts.