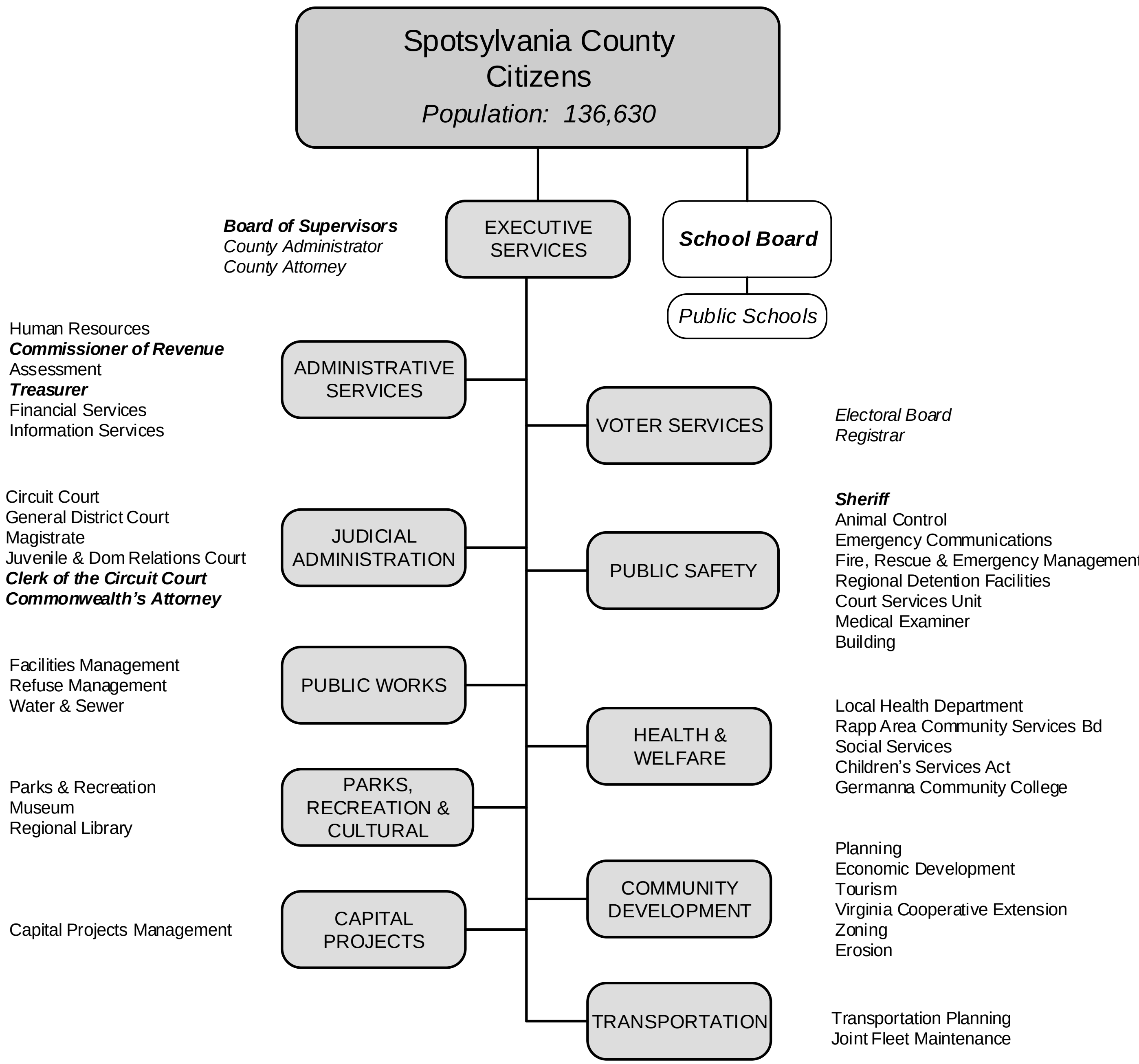
County Organization by Function

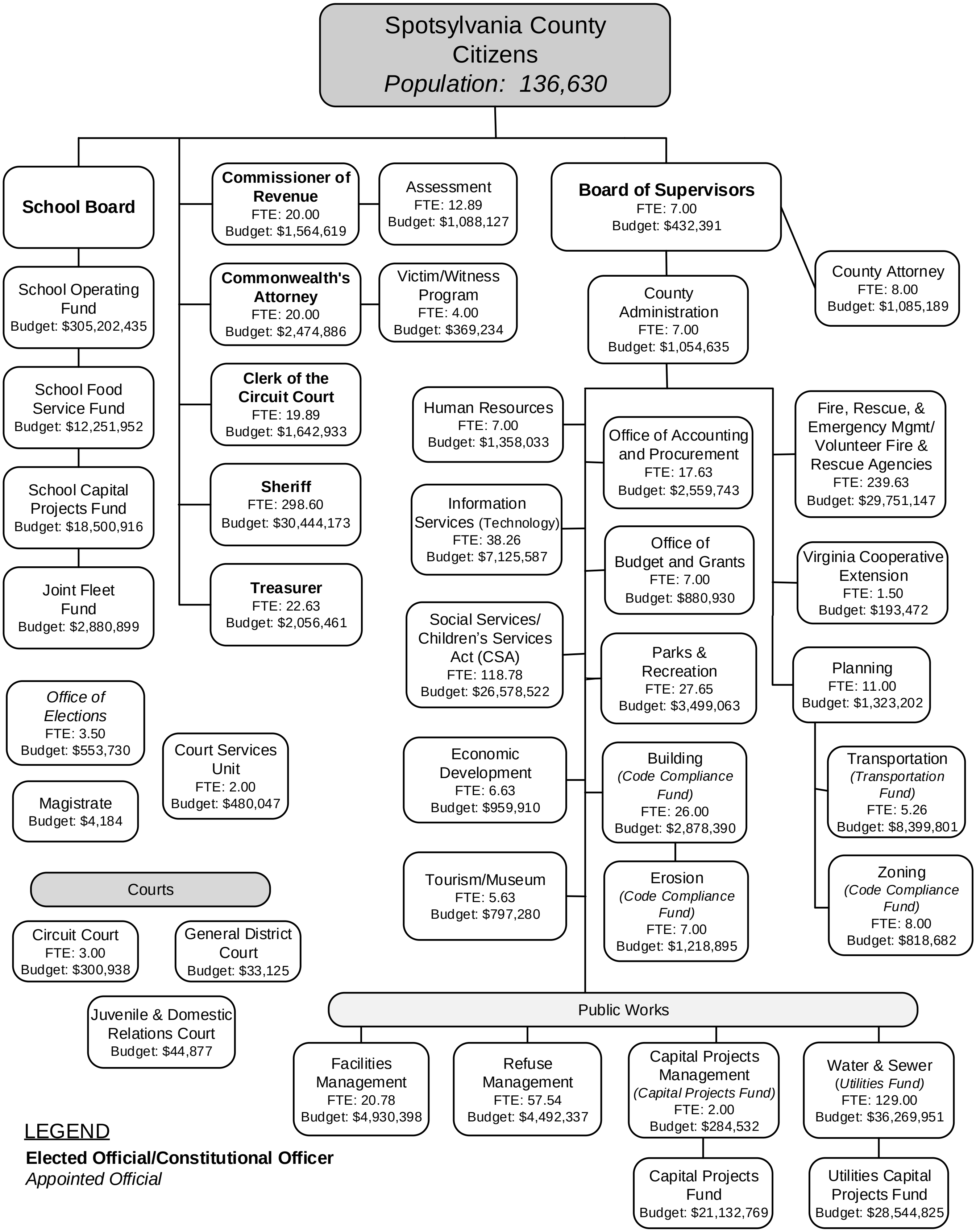


LEGEND

Elected Official/Constitutional Officer

Appointed Official

County Organization by Departments



Fund Structure & Basis of Budgeting

The County's financial operations are accounted for by fund. A fund is a separate and self-balancing accounting unit with its own specific revenues and expenditures. Included in the budget are governmental and proprietary funds. Governmental funds are the funds through which most governmental functions are typically paid. Proprietary funds are used to account for business-type, self-supporting activities where the costs of providing goods and services are recovered primarily through user fees or other charges for services. The separate funds used by the County include:

Fund Type	Fund	Description
Governmental	**General Fund**	Used to account for general operating expenditures and revenues.
	Capital Projects Fund	Used to account for major general capital expenditures that extend beyond a single fiscal year and related financing sources.
	Economic Development Authority Fund	Used to account for expenditures and revenues related to the County's Economic Development Authority and to provide incentive loans for start-up or expansion to businesses or corporations meeting specific criteria.
	Fire/EMS Service Fee Fund	Used to account for revenues provided by the third party billing program.
	Code Compliance Fund	Used to account for revenues and expenditures related to the enforcement of Federal, State and local laws related to Building, Zoning and Erosion.
	Transportation Fund	Used to account for revenues and expenditures related to transportation.
	School Operating Fund	Used to account for school operating and debt service expenditures and revenues.
	School Food Service Fund	Used to account for school food service including both breakfast and lunch programs.
	School Capital Projects Fund	Used to account for all school capital expenditures that extend beyond a single fiscal year and related financing sources.

Fund Type	Fund	Description
Proprietary	**Joint Fleet Maintenance Fund**	Used to account for revenues and expenditures related to maintenance of County and School fleets.
	Utilities Operating Fund	Used to account for operations of the public water and sewer system financed through user charges and other system revenues.
	Utilities Capital Projects Fund	Used to account for infrastructure improvements and expansions to the water and sewer system and related financing sources.

Basis of Accounting
The County's accounting records are maintained on either the accrual or modified accrual basis of accounting, as appropriate for each fund type, in accordance with the U.S. Generally Accepted Accounting Principles (GAAP).

Governmental Funds
Governmental Funds use the modified accrual basis of accounting, a basis focused on current financial resources and their near term impact. Unlike proprietary funds discussed below, Governmental Fund revenues are recognized only when they are both measurable *and available* to pay liabilities of the current period. For this purpose, property taxes, franchise taxes, and various charges for services, associated with the current fiscal period, are recognized as revenues if they are collected within 45 days after fiscal year end (June 30). Grants are recognized as revenues when qualifying expenditures have been incurred, all other eligibility requirements are met, and reimbursements are received within the 45-day availability period. Local sales and use taxes are reported when received within 30 days after fiscal year end. Expenditures, in general, are recorded when a liability is incurred, similar to accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are recorded only when payment is due.

Proprietary Funds
Proprietary Funds use the accrual basis of accounting similar to a private business. Transactions are reported when they occur (services are provided), regardless of when cash is received or disbursed.

Basis of Budgeting
The County's budget is prepared on the same basis of accounting used in preparing the County's Comprehensive Annual Financial Report (CAFR), with the following exceptions:

General Fund
- Under Virginia law, school boards may not incur debt. Rather the local government incurs debt on behalf of the local school board, resulting in the Schools' debt service reported as an education expenditure of the General Fund in the CAFR. In comparison, these funds are budgeted and appropriated within the School Operating Fund.

- Central service overhead costs charged to the Utilities Operating Fund are recorded as reimbursements (reduction of expenditures) in the General Fund of the CAFR, versus revenues in the County's budget.

Utilities Operating and Utilities Capital Projects Funds

- The Utilities Operating and Utilities Capital Projects Funds reflected in the budget are consolidated in the CAFR and reported as the Water & Sewer Fund.
- The following chart provides the key differences between the budgetary basis and GAAP for Utilities:

Item	Budgetary Basis	Accounting Basis
Inventory & other prepaid costs	Expensed when paid	Recorded as an asset and expensed when used
Capital outlays	Expensed when paid	Recorded as an asset and expensed as depreciation over its useful life
Debt proceeds and related principal payments	Proceeds are reported as revenues when received and payments reported as expenses when due	Activity reported as an increase or decrease to long-term debt on the balance sheet
Accruals for other long-term liabilities (e.g. pension & OPEB)	Expensed when paid	Expensed when incurred
Developer donated assets	Not budgeted	Recognized as revenue upon receipt

Funds, Functions & Departments

Within each fund, the expenditures and revenues are accounted for by function and department. A list detailing the relationship between each fund, function and department follows.

Fund Type	Fund/Function/ Department(☙)	Annual Appropriations *(Budget lapses at end of year)*	Annual Appropriations *(Budget does not lapse at end of year)*	Funds with No Appropriations
Governmental	**General Fund:**	✓		
	Executive Services			
	☙ Board of Supervisors	$432,391		
	☙ County Administration	1,054,635		
	☙ County Attorney	1,085,189		
	☙ Non-Departmental	3,731,366		
	Administrative Services			
	☙ Human Resources	1,358,033		
	☙ Commissioner of the Revenue	1,564,619		
	☙ Assessment	1,088,127		
	☙ Treasurer	2,056,461		
	☙ Financial Services	3,440,673		
	☙ Information Services	7,125,587		
	Voter Services			
	☙ Office of Elections	553,730		
	Judicial Administration			
	☙ Circuit Court	300,938		
	☙ General District Court	33,125		
	☙ Magistrate	4,184		
	☙ Juvenile & Domestic Rel Court	44,877		
	☙ Clerk of the Circuit Court	1,642,933		
	☙ Commonwealth's Attorney	2,844,120		
	Public Safety			
	☙ Sheriff	30,444,173		
	☙ Fire/Rescue/Emergency Mgmt.	29,751,147		
	☙ Regional Detention Facilities	7,984,023		
	☙ Court Services Unit	480,047		
	☙ Medical Examiner	1,000		
	Public Works			
	☙ Facilities Management (Bldg & Grounds)	4,930,398		
	☙ Refuse Management	4,492,337		

Fund Type	Fund/Function/ Department(❧)	Annual Appropriations *(Budget lapses at end of year)*	Annual Appropriations *(Budget does not lapse at end of year)*	Funds with No Appropriations
Governmental (continued)	**Health & Welfare**			
	❧ Local Health Department	$647,569		
	❧ Rapp Area Comm. Svcs. Bd.	427,593		
	❧ Social Services	14,216,158		
	❧ Children's Services Act	12,362,364		
	❧ Germanna Community College	314,171		
	Parks, Recreation & Cultural			
	❧ Parks & Recreation	3,499,063		
	❧ County Museum	86,522		
	❧ Regional Library	4,850,724		
	Community Development			
	❧ Planning	1,323,202		
	❧ Economic Development	959,910		
	❧ Tourism	710,758		
	❧ Virginia Cooperative Extension	193,472		
	Debt Service	9,570,783		
	GENERAL FUND TOTAL	**$155,606,402**		
	Capital Projects Fund:	✓	✓	
	Capital Projects			
	❧ Capital Projects Management	$284,532		
	❧ Capital Projects		$21,132,769	
	CAPITAL PROJECTS FUND TOTAL	**$284,532**	**$21,132,769**	
	Economic Development Auth. Fund:	✓		
	Community Development	$1,509,150		
	EDA FUND TOTAL	**$1,509,150**		
	Fire/EMS Service Fee Fund:			✓
	Public Safety			$0
	FIRE/EMS SERVICE FEE FUND TOTAL			**$0**
	Code Compliance Fund:	✓		
	Public Safety			
	❧ Building	$2,878,390		
	Community Development			
	❧ Zoning	818,682		
	❧ Erosion	1,218,895		
	CODE COMPLIANCE FUND TOTAL	**$4,915,967**		

Fund Type	Fund/Function/ Department(⚘)	Annual Appropriations *(Budget lapses at end of year)*	Annual Appropriations *(Budget does not lapse at end of year)*	Funds with No Appropriations
Governmental (continued)	**Transportation Fund:**	✓		
	Transportation	$8,399,801		
	TRANSPORTATION FUND TOTAL	**$8,399,801**		
	School Operating Fund:	✓		
	Education	$305,202,435		
	SCHOOL OPERATING FUND TOTAL	**$305,202,435**		
	School Food Service Fund:	✓		
	School Food Service	$12,251,952		
	SCHOOL FOOD SERVICE FUND TOTAL	**$12,251,952**		
	School Capital Projects Fund:		✓	
	Capital Projects		$18,500,916	
	SCHOOL CAP. PROJECTS FUND TOTAL		**$18,500,916**	
Proprietary	**Joint Fleet Maintenance Fund*:**	✓		
	Transportation	$2,880,899		
	JOINT FLEET MAINT. FUND TOTAL	**$2,880,899**		
	Utilities Operating Fund:	✓		
	Public Works			
	⚘ Water & Sewer	$36,269,951		
	UTILITIES OPERATING FUND TOTAL	**$36,269,951**		
	Utilities Capital Projects Fund:		✓	
	Public Works			
	⚘ Capital Projects		$28,544,825	
	UTILITIES CAP. PROJ. FUND TOTAL		**$28,544,825**	
APPROPRIATION TOTAL – ALL FUNDS*			**$592,618,700**	

*Appropriation total includes the Joint Fleet Maintenance Fund, whereas the budget totals for all funds on pages 34, 51, 85 and 89 exclude the Joint Fleet Maintenance Fund. The Joint Fleet Maintenance Fund figures are excluded from the total budget calculation so as not to double-count the revenues and expenditures associated with fleet maintenance since this fund charges other funds for costs, and the expenditures show in the funds being charged. Also, excludes $1,284,718 in tax relief expenditures which are not appropriated.

Spotsylvania County Fiscal Policies

The Board of Supervisors has adopted the following Fiscal Policies to guide the stewardship of the citizens' resources entrusted to their local county government. Above all else, the County's stewardship of resources shall adhere to the following principles:

- Transparency and accountability to our citizens in the conduct of the County's fiscal affairs
- Balanced consideration of both short-term and long-term priorities and concerns
- Strategically planned use of resources for the present and future common benefit
- Reasonable and balanced tax impositions upon our citizens and businesses
- Responsible financial stewardship that enhances County bond ratings

I. *GENERAL POLICIES FOR FINANCIAL PLANNING*

A. BALANCED BUDGET

1. The Board of Supervisors will annually adopt a balanced budget for Spotsylvania County, wherein planned revenues equal planned expenditures for the fiscal year.
2. The budget is a plan for raising and allocating resources to enable efficient and effective delivery of needed services. The budget shall be structured to allow the public to readily see the relationship between revenues, expenditures and the achievement of service objectives.
3. The Board of Supervisors' analysis of the budget will focus on the following:
   a. costs of mandates and commitments (e.g., debt service);
   b. costs related to maintaining level of service standards;
   c. costs of capital infrastructure and equipment (both new investment and the maintenance of existing capital assets); and
   d. effectiveness and economic efficiency of existing and proposed programs.
4. The Board is committed to providing mandates and Board-prescribed services at the greatest possible value to citizens.
5. The Board expects that all individual governmental units and the County government as a whole will show positive balances at the end of each fiscal year.
6. If deficits should appear to be forthcoming within a fiscal year, spending shall be reduced sufficiently to fund the committed and assigned reserves outlined within the fiscal policies.
7. The County will maintain budgetary controls so as to ensure adherence to the budget.
8. The County will maintain fund balances sufficient to avoid the necessity of tax anticipation borrowing.
9. The budget will provide for adequate funding of all adopted retirement benefit programs.

B. LONG-RANGE PLANNING

1. Multi-Year Forecasts

a. The Board of Supervisors will annually review the County's multi-year financial plan covering a minimum of three years. The Board recognizes the multiple benefits of long-range forecasting including:
   1. Early identification of potential fiscal constraints and/or trends.
   2. Recognition of the impact of capital projects on the operating budget, and
   3. Anticipation of the need for future Board actions to maintain a balanced budget in future years.

b. At a minimum, annual long-range forecast will provide revenue and expenditure projections for the General Fund, Transportation Fund and Utilities funds, and will include the operating budget impacts of all planned capital expenditures.

2. Capital Improvement Budget Policies

a. The Board of Supervisors will adopt a five-year Capital Improvement Plan (CIP) and update it annually.

b. The Board will enact an annual capital budget based on the five-year capital improvement plan. Future capital expenditures necessitated by changes in population, economic base, and/or real estate development, as well as those necessary to meet level of service standards will be calculated and included in capital budget projections.

c. Future operating and maintenance costs associated with new capital improvements will be projected and included in out-year operating budget forecasts.

d. The Board will use intergovernmental assistance to finance only those capital improvements that are consistent with the capital improvement plan and County priorities, and whose operating and maintenance costs have been included in operating budget forecasts.

e. The County will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.

f. The County will attempt to determine and make use of the least costly financing method for all new projects.

g. Savings on general capital projects will be transferred to the Capital Projects Fund balance upon project completion to be used on future capital projects approved by the Board. Likewise, savings on Utilities capital projects will be transferred to the Utilities Capital Projects Fund balance to be used on future Utilities capital projects approved by the Board. Finance staff will ensure that savings on any bond-funded capital project line item will be used only for other similar capital projects in accordance with the language in the referendum question(s) or Board bond resolution which originally authorized the County's issuance of bonds, where applicable.

3. **Investment Policies** - Listed below are the objectives from the Statement of Investment Policies adopted by the Board of Supervisors on December 13, 2011.
   a. All investments shall be in compliance with the Code of Virginia Sections §2.2-4400 et seq. and §2.2-4500 et seq.
   b. The cash management and investment activities of the County shall be conducted in a manner which is consistent with prevailing prudent business practices which may be applied by other public organizations of similar size and financial resources.
   c. The Investment Portfolio will be managed to accomplish the following fundamental goals:
      i. Safety of Principal - The single most important objective of the investment program is the preservation of principal of those funds within the Investment Portfolio.
      ii. Maintenance of Liquidity - The Investment Portfolio will be managed at all times with sufficient liquidity to meet all daily and seasonal needs, as well as to fund special projects and other operational requirements which are either known or which might reasonably be anticipated.
      iii. Maximizing Return - The Investment Portfolio shall be managed to maximize the return on investments within the context and parameters set forth by the safety and liquidity objectives above.

   The County Treasurer is responsible for all County investments. The complete detailed investment policy is available on the County website.

4. **Other Post-Employment Benefits (OPEB) Funding Policy**
   a. In July 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45, establishing standards for financial reporting of governmental liabilities related to non-pension post-employment benefits (e.g. retiree health insurance), also known as Other Post-Employment Benefits (OPEB). Though OPEB will not be received by the employee until he or she retires from employment, these future benefits are being earned today, and so they are a cost of providing public services rendered today. GASB Statement 45 requires governments to measure the annual costs of OPEB through an actuarial-calculated Annual Required Contribution (ARC), systematically and rationally allocating the present value of the projected cost of benefits over the working life of benefiting employees. Additionally, total OPEB liabilities must be reported in the County's Comprehensive Annual Financial Report (CAFR).
   b. Funding for OPEB liabilities will be budgeted and reserved as funds are available within the associated operating budgets. The County will attempt to fund its OPEB liabilities for the smaller funds (Code Compliance, Capital Projects, Transportation and Utilities) as soon as practical. Phased-in funding of the General Fund liability will begin as soon as local economic conditions allow, with contributions increasing incrementally each year until the annual contribution equals 100 % of the ARC. The County's goal will be to reach

100% of the ARC no more than eight years from the beginning of the General Fund phase-in period. The phase-in period began in FY 2016 when the Board allocated $1.9 million to a General Fund OPEB reserve.

c. Funding of the Schools' OPEB liability is the responsibility of the School Board.

C. ASSET INVENTORY

1. All County assets shall be maintained at a level adequate to protect the County's capital investment and to minimize future maintenance and replacement costs.
2. The County will prepare maintenance and replacement schedules and budgets for all capital assets (buildings and equipment) and will update this projection each year.
3. Adequate capital maintenance funds shall be included in the approved annual budget consistent with responsible stewardship.
4. Adequate capital replacement funds will be placed in the capital improvement plan to allow the approved replacement schedule to be implemented.

II. *REVENUE POLICIES*

A. REVENUE BUDGETS

1. The County will estimate its annual revenues by an objective, analytical process.
2. The County will maintain a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source.
3. The County should routinely identify intergovernmental aid (i.e. grant) funding possibilities. However, before applying for and accepting intergovernmental aid, the County will assess the merits of a particular program as if it were funded with local tax dollars. Local tax dollars will not be used to make up for losses of intergovernmental aid without first reviewing the program and its merits as a budgetary increment.
4. Reassessment will be made of all real property at least every two years. The County will maintain sound appraisal procedures to keep property values current. Property will be assessed at 100% of full market value.
5. The County will follow an aggressive policy of collecting property tax revenues. The annual level of uncollected property taxes will generally not exceed two percent over a three-year period.

B. FEES AND CHARGES

1. The County will establish all user charges and fees at a level related to the full cost of providing the services.
2. Each year, the County will recalculate the full costs of activities supported by user fees to identify the impact of inflation and other cost increases. Such calculation will include, but is not limited to salary and benefits (including OPEB costs), office space, and other overhead costs.

3. The County will set fees for other activities such as recreational services at a level that is appropriate for the department based on the service provided and potential for revenue.

C. Use of One-Time Revenues

1. The County will pay for all current operating expenditures with current revenues.
2. The County will avoid budgetary procedures that balance current expenditures at the cost of meeting future years' expenses, such as postponing expenditures, accruing future years' revenues, or rolling over short-term debt.
3. The County will limit the use of one-time revenues to one-time expenditures such as non-recurring capital projects.

D. Use of Unpredictable Revenues

1. Annually, as part the Recommended Budget development process, the Budget Office will determine to which capital projects, if any, cash proffers already received are available to offset all or a portion of the anticipated cash or debt issuance for such projects. The County Administrator shall incorporate these available proffer funds as a source of revenue in the budget recommendation.

III. *EXPENDITURE POLICIES*

A. Debt Capacity, Issuance and Management

1. The County will finance capital projects only when current (non-borrowed) sources of funding are unavailable.
2. When the County finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project.
3. The County will plan its tax-supported bond sales such that it will maintain compliance with its adopted debt policy. Target debt ratios will be annually calculated, reviewed, and included in the capital improvement plan.
   a. Net debt as a percentage of estimated market value taxable should not exceed 3%.
   b. The ratio of debt service expenditures as a percentage of governmental fund expenditures should not exceed 12%. The County will work towards reducing this ratio to not more than 10% by the end of FY 2025.
   c. The County's 10-year tax-supported debt and lease payout ratio should be maintained at or above 65% at the end of each adopted five-year CIP.
   d. Debt on special service districts for which the County can demonstrate revenue from special taxes is available to pay 100% of the associated debt service will be excluded from the calculation of these target debt ratios.
4. The County's goal is to budget an amount of cash (pay-as-you-go) funding for capital projects equal to 5% of General Fund revenues (less obligated transfers), with a minimum level of 3%. In order to achieve this goal, in FY 2008 the County transferred 1% to the Capital Projects Fund and has increased that transfer by

0.25% each year such that the FY 2016 transfer was budgeted at the minimum policy level of 3%. An additional 0.25% will be transferred each year until at least the 5% target is met. While it is the County's full intent to use this pay-as-you-go funding annually for capital projects, should revenue shortfalls or unanticipated operating expenditures occur in the General Fund, this funding may be used as a source of budgetary flexibility.

5. The County will maintain regular communications with the bond rating agencies about its financial condition and will provide requested information in a timely manner. The County will follow a policy of full disclosure on every financial report including the Official Statement related to bond issues.
6. The County recognizes the importance of overlapping debt in analyzing its financial condition. The County will regularly analyze total indebtedness including overlapping debt.
    a. Any County indirect debt issuance for public services such as regional jail or other regional project, special assessment district, community development authority, tax increment district, or other similar type of overlapping debt – either individually or when considered in aggregate with previously issued overlapping debt – shall not have a negative impact upon the County's debt capacity or credit rating.
    b. In order to protect the County's long term fiscal stability and credit standing, the total aggregate outstanding amount of overlapping debt should not exceed 1% of the total assessed value of taxable property within the County.
    c. Exceptions to this policy may be made if the projects to be financed directly replace capital projects in the current capital improvement plan. Toll road or other forms of revenue bonds supported solely by user fees will not be included in the definition of overlapping debt.
    d. The County's preference is to have overlapping debt retired as rapidly as possible, but in no case shall the maturity of such debt extend beyond 30 years.

B. DEBT REFERENDUM POLICY

1. All new facility construction projects or acquisitions that exceed available budgeted funds will be subject to voter referendum, unless financed through revenue-supported mechanism (i.e., water/sewer revenue bonds).
2. Expenditures may be authorized by the Board of Supervisors for reasonable related expenses in preparation for a referendum. These expenditures may include various avenues through which to obtain and provide the County citizens adequate details on the referendum issues.
3. A voter referendum to authorize bonds should be presented to voters only for projects included in the Adopted CIP and only when analysis of the County's debt capacity demonstrates the County's ability to fund the debt service for the bonds within the parameters of the County's target debt ratios. There should also be demonstrated capability for the County to at least start and preferably complete

projects approved by a referendum within the eight year time period permitted by State law for the sale of authorized bonds.

4. Voter referenda will coincide with General Elections.
5. The Board of Supervisors, by a majority vote at a regularly scheduled meeting, may waive the referendum requirement, to the extent allowed by law, to meet a critical health and/or public safety need, in conjunction with a court order, or to realize an economic benefit to the County.

C. Budgeted Contingency

In addition to the reserves identified above, the annual budget includes an appropriate budget contingency which provides additional budget flexibility.

1. As part of the annual budget process, the County will appropriate a contingency equal to 0.25% of General Fund expenses. This contingency is meant to fund unforeseen expenditures of a non-recurring nature that arise during the course of the fiscal year, or to meet relatively minor increases in service delivery costs.
2. Use of this contingency will require a vote by the Board of Supervisors. Any unspent funds remaining in this contingency at the end of the year will fall to the General Fund balance.

D. Operating/Capital Expenditure Accountability

1. The County will establish and maintain a high standard of accounting practices.
2. The County will prepare regular quarterly and annual financial reports which present a summary of activity by major fund types and compare actual revenues and expenditures to budgeted amounts.
3. The accounting system will maintain records on a basis consistent with accepted standards for local government accounting.
4. Where possible, the reporting system will also provide quarterly information on the total cost of specific services by type of expenditure and, if necessary, by fund.
5. An independent public accounting firm will perform an annual audit and will publicly issue a financial opinion.

IV. *Fund Balance (i.e. Reserve & Stabilization Accounts)*

Pursuant to GASB Statement No. 54, the County is required to report five categories of fund balance: Non-spendable; Restricted; Committed; Assigned; and Unassigned. General specifications for each category are defined below:

- **Non-spendable** includes amounts that cannot be spent because they are either not in spendable form (e.g. inventory), or are legally or contractually required to remain intact (e.g. endowment funds).

- **Restricted** amounts are limited for specific purposes imposed by external parties (grantors, creditors, contributors), or laws and regulations of other governments.

The following three categories of fund balance are considered unrestricted:

- **Committed** funds are reserved for specific purposes by the County, using its highest level of decision-making authority (i.e. the Board). Once reported as committed, amounts cannot be used for any purpose other than that for which the funds were committed unless the County takes equal action to remove or change the constraint. Initial decisions to commit funds must be approved prior to fiscal year-end. The determination of the amount to be committed may occur after June 30.

- **Assigned** funds are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Unlike commitment, assignments generally exist only temporarily and additional action is not required for their removal.
    - The Board authorizes the County Administrator and the Finance Director as authorities permitted to designate funds as assigned.

- **Unassigned** amounts represent any remaining portion of the fund balance not identified as restricted, committed or assigned. Unassigned fund balance may be used at the discretion of the Board, but will be limited to non-recurring expenditures; preferably for capital projects.

  When more than one category of fund balance could be used for expenditures, it is the County's policy that the order of use of the fund balance is: Restricted, Committed, Assigned, and Unassigned.

Reservations of the fund balance will be made in the following priority order:

A. FISCAL STABILITY RESERVE

1. The County will commit within its General Fund balance at the close of each fiscal year a reserve equal to no less than 11% of General Fund and School Operating Fund revenues projected for the subsequent fiscal year budget. The transfer of local funds from the General Fund to the School Operating Fund will not be double-counted in the calculation of the 11% reserve. This reserved and committed portion of the County's General Fund balance will be known as the Fiscal Stability Reserve.
2. Appropriations from the Fiscal Stability Reserve may be made only by a majority vote of the Board of Supervisors to meet a critical, unexpected financial need costing at least $1,000,000 and resulting from a natural disaster or declared state of emergency, or from a local catastrophe (e.g. a fire at the business of one of the County's top 10 revenue generators) that cannot be resolved through other less extraordinary budgetary action. The $1,000,000 cost requirement will be met when the County incurs a loss in revenue, an increase in expenditures, or a combination of each stemming from the events identified herein.

3. Use of the Fiscal Stability Reserve will occur only after the budgeted contingency, the Budget Stabilization Reserve, and the unassigned Fund Balance have been depleted.
4. Any use of the Fiscal Stability Reserve will be replenished within three fiscal years.
5. Prior to recommending to the Board of Supervisors any use of the Fiscal Stability Reserve, the County Administrator must clearly explain the budgetary actions taken by staff to address the financial need and minimize the amount requested for appropriation from the Fiscal Stability Reserve.

B. SELF-INSURED HEALTH INSURANCE RESERVE

1. The County will maintain a self-insured health insurance reserve equal to the total claims incurred but not reported (IBNR) plus three months of claim payments based on the previous three years' experiences. Any use of such reserve will be limited to payment of IBNR in the event the County changes to a new vendor for health insurance and to the payment of claims that exceed premium payments.
2. Any use of the self-insured health insurance reserve will be replenished within one year.
3. The self-insured health insurance reserve will constitute a commitment within the General Fund balance.

C. BUDGET STABILIZATION RESERVE

1. The County will maintain a Budget Stabilization Reserve to address potential revenue declines or other economic stress placed on the budget. In FY 2016, the Budget Stabilization Reserve will start with a balance of $1.0 million. Each year thereafter, an amount equal to 0.25% of General Fund and School Operating Fund revenues projected for the subsequent fiscal year budget will be added until such time as the Budget Stabilization Reserve reaches $5.0 million. Thereafter, this reserve will be maintained at $5.0 million. The transfer of local funds from the General Fund to the School Operating Fund will not be double-counted in the calculation of the 0.25% annual addition to the reserve as the County is working to achieve the $5.0 million maximum. The Budget Stabilization Reserve will remain unassigned within the General Fund balance.
2. Any use of the Budget Stabilization Reserve requires adoption of a resolution by the Board of Supervisors and will be replenished within two fiscal years.

D. ECONOMIC OPPORTUNITIES RESERVE

1. The County will establish a reserve to be known as the Economic Opportunities Reserve for the purpose of funding matches to State grants and to provide other up-front incentives to substantial economic development opportunities. This reserve will be funded at $2,000,000 and will be reserved as part of the assigned General Fund balance. At the end of each fiscal year, the Economic Opportunities Reserve will be replenished to the $2,000,000 level in the event that unassigned fund balance remains after full funding of the Fiscal Stability Reserve, the Self-Insured Health Insurance Reserve, and the Budget Stabilization Reserve.

2. Economic opportunity incentives offered by the County through the EDA are typically in the form of grants equal to certain taxes and fees paid to the County. However, there may be State economic development grants available which require a local match be paid at the beginning of the term of the economic development interest being in the County. The Economic Opportunities Reserve will be a source of the local match. Performance agreements will be required of all economic development interests considered for incentives.
3. Appropriations from this reserve to the Economic Development Opportunities Fund for funding through the EDA require the vote of the Board of Supervisors.

V. OTHER FUND POLICIES

A. UTILITIES FUND POLICIES

1. The County will maintain Utilities Fund financial independence from General Fund by:
   a. Issuing Revenue Bonds for Utilities capital projects in lieu of General Obligation Bonds, and
   b. Avoiding the need for any General Fund revenues to support the Utilities operations and debt service.
2. The County will set fees and user charges at a level that fully supports the total direct and indirect costs of the system. The level of all fees and charges for the Utilities Fund will be set such that the County meets its legal requirements under any revenue bond documents.
3. The County will maintain a Utilities Fund Balance of at least 100% of the average for the last three years of total revenues. Total revenues are defined as all revenues including user fees and availability fees. Fund Balance is defined as "Equity in Pooled Cash and Investments" from the schedule of net assets for the Utilities Fund in the Comprehensive Annual Financial Report (CAFR).
4. Target net revenues after operational expenditures to be at least 1.3 times debt service requirements. The excess revenues will be available to first maintain the Utilities Fund Balance and second to cash fund future Utilities capital projects.
5. The County will maintain total operating revenues (which do not include availability fees) at a level which supports no less than 100% of operating and debt service costs of the Utilities Operating Fund.
6. The County recognizes the value of its Utilities system assets, the need for ongoing management of those assets, and the need to plan for future growth. The County will manage its Utilities system assets through on-going routine maintenance of plant facilities, equipment and other system infrastructure which will be funded by the Utilities Operating Fund. Major maintenance (i.e. roof replacements, repainting, etc.) of water and wastewater plants will also be funded by the Utilities Operating Fund. Major maintenance of other infrastructure and system capacity improvements will be funded through the Utilities Capital Projects Fund. When the Utilities Fund Balance exceeds 100% of the average for the last three years of total revenue as required above in item A3, the Utilities Fund balance may be used to pay for capital projects.

B. CODE COMPLIANCE FUND POLICIES

1. The Code Compliance Fund will be supported through revenues generated by the Building and Zoning offices. Costs of services provided by other funds for Code Compliance functions will be allocated to the Code Compliance Fund, using a combination of direct billings and costs determined through the annual cost allocation plan prepared by the County.
2. Costs associated with core services, defined as services for mandated, non-fee supported duties, will be funded by a transfer from the General Fund.
3. In years when revenues generated are not sufficient to cover the costs of services, the General Fund will provide subsidies to prevent a deficit from occurring within the Code Compliance Fund. Once economic conditions change such that fees are sufficient, the Code Compliance Fund will repay the General Fund for prior year transfers made to offset Code Compliance deficits, to the extent possible.
4. Once all annual costs are funded and General Fund subsidies have been repaid, any excess fee revenue will be retained in the Code Compliance fund balance. When annual revenues are not sufficient to cover annual expenditures, this fund balance will be the first source used to cover deficits.

C. VIRGINIA RAILWAY EXPRESS (VRE) FUNDING POLICIES

2. Revenues and expenses related to VRE and Potomac and Rappahannock Transportation Commission (PRTC) membership will be accounted for in the Transportation Fund. Revenues from the 2.1% fuel tax and the related PRTC administrative fees will be included in the Transportation Fund using estimates provided by PRTC, while the VRE subsidy costs will be budgeted using estimates provided by VRE.
3. Fuel tax revenues will be allocated to the following expenses in the following order:
    a. Payment of administrative fees to PRTC
    b. Payment of subsidy to VRE
    c. Payment of debt service on bonds issued for transportation projects
    d. Other transportation expenses as determined by the Board of Supervisors after all other dedicated expenses noted above have been covered
4. Although accounted for in the County's financial records, the fuels tax is held by the PRTC and therefore use of those revenues for payment of VRE, PRTC and other transportation purposes requires adoption of a resolution by the Board of Supervisors.

Financial policies adopted by Board of Supervisors on March 24, 1992.
Added Utilities Fund policies June 12, 2001
Revised Utilities Fund policies on August 10, 2004
Added Debt Referendum policy on March 22, 2005
Added Proffer policy on June 14, 2005
Revised General policies on December 12, 2006
Revised General Debt policies on April 10, 2007
Revised General policies on January 12, 2010
Revised Utilities Fund policies on January 12, 2010
Added Code Compliance Fund, VRE and OPEB policies on April 13, 2010
Reformatted/revised April 12, 2011
Added Treasurer's Investment Policy April 2012
Revised October 13, 2015
Revised May 24, 2016
Revised April 4, 2017

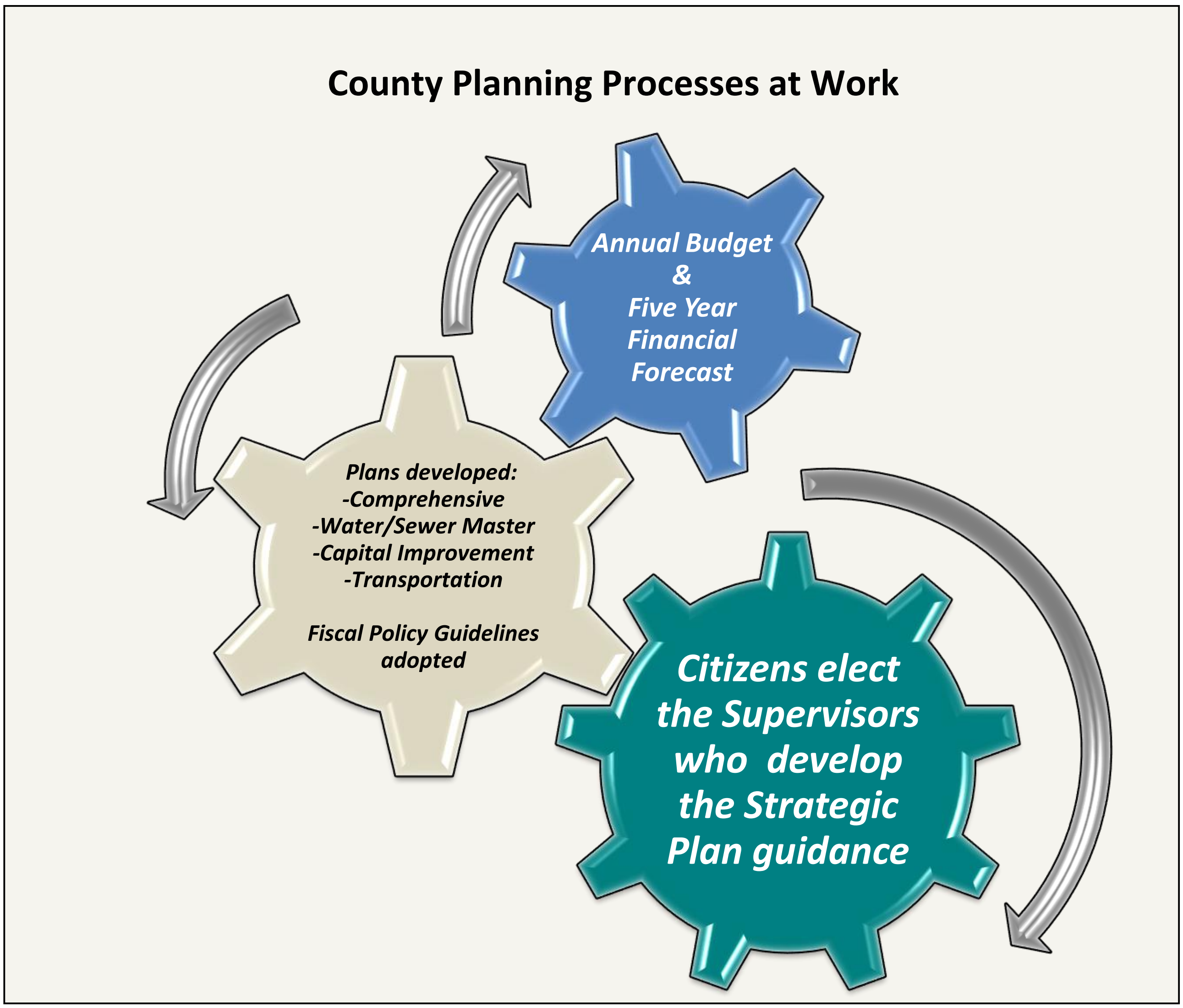
Planning Processes

A number of planning processes are in place to guide the County's decision making. Many of these processes allow for direct citizen input through public hearings, community meetings or participation in Board-appointed committees. The County's planning processes include:

Planning Process	Description
Strategic Plan	Sets the overall tone of the organization and guides employees in managing the daily operations of the County.
Comprehensive Plan	A guide designed to encourage the most appropriate use of land, water and resources within the County consistent with the interests of the citizens. The Comprehensive Plan sets forth goals, objectives, policies and implementation techniques that will guide the development activity within the County and promote, preserve and protect the health, safety, and general welfare of its citizens.
Water/Sewer Master Plan	Developed to facilitate implementation of the Public Facilities and Utilities elements of the Comprehensive Plan, which provides guidance for upgrade and expansion of County water and sewer systems, consistent with growth management policies approved by the Board of Supervisors.
Capital Improvement Plan	A five-year guide to assist in long range planning for the County's capital needs. Details of the recommended Capital Improvement Plan are found beginning on page 147.
Transportation Planning	Planning and Public Works staff are involved with several processes including traffic studies and citizen information meetings that guide the Board of Supervisors and the Transportation Committee in the prioritization of the County's Transportation needs.
Fiscal Policy Guidelines	Policies guiding the financial management of Spotsylvania County are approved by the Board of Supervisors to ensure a fiscally sound government. The adoption and compliance of these policies is an important factor in rating agency reviews. A summary of the County's policies can be found on the preceding pages.

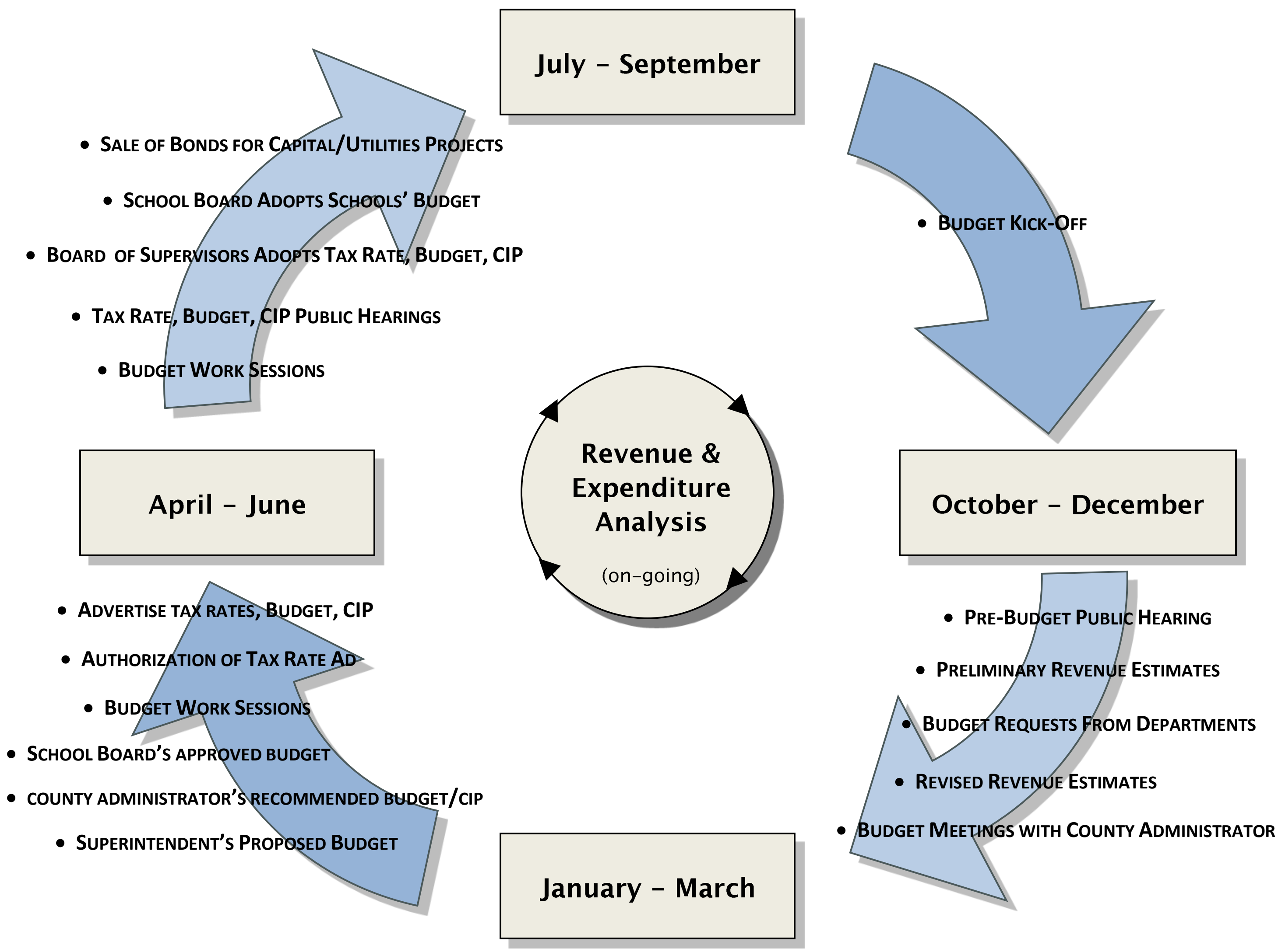
Planning Process	Description
Annual Budget Process	County Administration works with the Budget staff, Department Directors, Constitutional Officers, Regional Agencies, etc. to develop an adopted budget. Many of the decisions included in that recommendation are driven by the processes noted above. A summary of the County's Budget process can be found on the following pages.
Five-Year Financial Forecast	A five-year financial forecast is developed annually as a tool to anticipate potential budget imbalances. The current plan can be found on page 141.

Below is a visual display of the connectivity of these various planning processes. The FY 2021 Recommended Budget takes these planning processes into account, where appropriate.



Annual Budget Process

The operating budget process begins with the distribution of budget preparation materials to departments in the fall. Departments submit detailed budget requests to the Finance Office in November. Submissions are reviewed and analyzed by Budget staff. The process is depicted below:



The County Administrator presents a recommended budget to the Board of Supervisors in February. Budget work sessions are scheduled during the months of March and April. Public hearings are held in the previous fall to get citizen input before compiling the recommended budget, and in the spring to get citizen reaction to the recommended budget before it is adopted by the BOS.

After careful consideration and deliberation on staff and citizen input, the Recommended Budget, as modified for additions and deletions, is adopted by the Board of Supervisors during April through a resolution. The resolution places legal restrictions on expenditures at the fund or category level.

Budget Amendments

After the budget is adopted, budget maintenance occurs throughout the fiscal year via budget amendments. The budget amendment policy authorizes department directors to transfer funding between accounts within their adopted operating budgets. County Administration has the authority to transfer funding between all categories of an adopted departmental budget and up to $100,000 between adopted department budgets, but in no case can directors or County Administration approve adjustments that increase the approved appropriation level; increase the number of permanent personnel; or significantly expand an existing program. The School Board is authorized to transfer budgeted amounts within each of the school system's appropriated categories. All other revisions to the budget must be approved by the Board of Supervisors. Adjustments to the budget in excess of 1% of the total budget require a public hearing prior to a formal vote by the Board of Supervisors.

FY 2021 Budget Calendar

September 16, 2019	CIP requests due from departments
September 19, 2019	Budget Kickoff with departments
September 24, 2019	Board Meeting: Approval of FY 2021 Budget Calendar
October 25, 2019	Budget submissions due from departments
November 8, 2019	Schools' draft CIP due to County Budget staff
December 6, 2019	Preliminary Budget meeting with County Administration
December 9–17, 2019	Budget meetings with County Administration
December 10, 2019	Board Meeting: Budget Work Session: CIP presentation
December 18, 2019	Final budget decisions from County Administration
January 21, 2020	Superintendent presents Proposed FY 2021 budget to School Board
February 10, 2020	School Board Approves FY 2021 Budget & CIP
February 11, 2020	Board Meeting: Budget Work Session: County Administrator's FY 2021 Recommended Budget & CIP presented to BOS
February 18, 2020	*Board Meeting*: Budget Work Session: Presentation of School Board Approved Budget to BOS
February 25, 2020	Board Meeting: Budget Work Session: CBRC presentation to BOS; Department Directors/Constitutional Officers; Tax rate advertisement decision
February 29, 2020	Tax Rate/Reassessment PH Ad advertised in FLS
March 10, 2020	Board Meeting: Budget Work Session: Budget/CIP
March 23, 2020	Public Hearing Ads advertised in FLS
March 24, 2020	Budget Work Session: Budget/CIP (*tentative*)
March 31, 2020	*Public Hearings:* Budget/tax rate/CIP 6:30 p.m. @ **Courtland High School**
April 7, 2020	*Board Meeting*: Budget Work Session: Budget/Approve CIP
April 9, 2020	*Board Meeting*: Budget Work Session: Adopt FY 2021 Budget and 2020 tax rates *Earliest date for legal adoption of the budget based on the March 31st public hearing*