

FINANCE COMMITTEE POLICY
Fauquier County, Virginia

Policy Title:
County Funds Structure and Uses (FC-3)

Effective Date: December 10, 2009

I. Purpose

The purpose of the County Funds-Structure and Uses policy is to establish and identify the structure and relationship between County funds. The Fauquier County Board of Supervisors is committed to the prudent management of County finances, promoting fiscal integrity and planning for the adequate funding of services desired by the public. The County Funds Structure and Uses policy establishes the framework for the County's overall fiscal planning and management.

II. Scope

This policy applies to the County's governmental and proprietary funds. For the purposes of this policy, a fund is defined as a mechanism employed for budgeting and accounting purposes to segregate resources related to specific activities. Fund types described in this policy consist of two major categories:

- A. Governmental Funds - General use funds typically consisting of activities supported by taxes, grants and similar resources.
- B. Proprietary Funds – Business-type activities consisting of self-funded enterprises or the provision of internal services to other governmental units.

Resource requirements for both types of funds are reviewed and appropriated by the Board of Supervisors during its annual budget process and revisited as circumstances require over the course of the fiscal year. This policy becomes effective on July 1, 2010.

III. Governmental Funds

The County's governmental funds employ modified accrual accounting and are budgeted on the same basis. This category also includes special revenue funds that are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. Accounting and budgeting procedures must be consistent with generally accepted accounting principles (GAAP). The following funds are categorized as governmental funds:

- A. General Fund – The primary operating fund for all non-education governmental activities. The General Fund is supported by a combination of local tax revenue, fees, charges for service, intergovernmental revenues, and outside grant funding.

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- B. School Operating Fund – The primary fund for all education-related governmental activities. School Operating Fund revenue consists of a transfer from the County’s General Fund, aid from the State and Federal governments, as well as various charges for service. The School Board has direct control over the allocation of resources within this fund.
 - C. Debt Service Fund – This fund provides for the repayment of debt service on municipal debt issued to construct facilities. Additional information regarding the Debt Service Fund may be found in the Debt Issuance and Management Policy (FC-4).
 - D. Asset Replacement Funds – The County maintains separate asset replacement funds for the General Government and the School Division. The Asset Replacement Funds provide for the financing of major maintenance and systems replacement, renovations and major asset replacements, principally through the accumulation of cash funding and various grants.
 - E. Capital Improvement Fund – This fund provides for the acquisition, construction or total replacement of physical facilities to include additions that increase the square footage of an existing facility using a combination of cash funding and debt financing.
 - F. Affordable Housing Fund – This fund supports the County’s efforts to increase opportunities for work force housing. The Affordable Housing Fund is supported by grants, proffers, and a transfer from the General Fund.
 - G. Ambulance Billing Fund – This fund provides for the administration of the County’s ambulance revenue recovery program. Revenue generated from the County’s ambulance fee supports career and volunteer emergency medical service expenses.
 - H. Conservation Easement Service District Fund – This fund provides for the administration of the County’s purchase of development rights program. The PDR program is funded by a dedicated real estate tax levy.
 - I. Volunteer Fire and Rescue Association Fund – This fund supports expenditures for the County’s volunteer fire and rescue system. The VFRA Fund is supported by a dedicated real estate tax levy.
 - J. Parks and Recreation Fund – This fund is used for private donations to support parks and recreation facilities and programs.
 - K. Library Fund – This fund is used to account for private donations to support library facilities and programs.
 - L. Proffer Fund – This fund is used for contributions from developers to support the impact on infrastructure from new housing growth.
 - M. Vint Hill Transportation Fund – This fund accounts for the contributions received from developers to support the expansion of roads in the Vint Hill area.
 - N. Non-Major School Division Funds – The School Division maintains several non-major funds for accounting purposes, consisting of the School Nutrition Fund, Textbook Fund and the Regional Governor’s School Fund, which is a fiduciary fund. These funds are supported by a combination of outside grants, fees and a transfer from the School Operating Fund.

IV. **Proprietary Funds**

The County's proprietary funds employ a full accrual accounting method that recognizes the financial effect of transactions, events and interfund activities when they occur, regardless of the timing of related cash flows. The following funds are to be categorized as proprietary funds:

- A. Internal Service Funds – These funds are used to account for goods or services provided by one department or agency to another governmental unit on a cost reimbursement basis. Examples of internal service funds include the Fleet Maintenance and Health Insurance funds.
- B. Enterprise Funds – These funds house activities that are financed and operated as self-supporting activities. Examples of enterprise funds include the Environmental Services Fund and the Warrenton-Fauquier Airport Fund.