

## BASIS OF BUDGETING AND FUND STRUCTURE

### BASIS OF BUDGETING

Budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). Governmental and Fiduciary Funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Proprietary Funds use the accrual basis of accounting which recognizes revenues when earned and expenses when incurred. The County's accounting division utilizes an accrual basis for all funds.

Annual operating budgets are adopted for all Governmental Funds except for the Capital Projects Fund in which effective budgetary control is achieved on a project-by-project basis when funding sources become available. All funds are appropriated by the Board of Supervisors and appropriations lapse at year-end, except those for the Capital Projects Fund. It is the intention of the Board of Supervisors that appropriations for capital projects continue until completion of the project.

### FUND STRUCTURE

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

- | <u>Governmental Funds</u>   | <u>Proprietary Funds</u>   | <u>Fiduciary Funds</u>   |
|---|--|--|
| <ul style="list-style-type: none"><li>• General Fund</li><li>• Special Revenue Fund</li><li>• Debt Service Fund</li><li>• Capital Projects Fund</li></ul> | <ul style="list-style-type: none"><li>• Enterprise Fund</li><li>• Internal Services Fund</li></ul> | <ul style="list-style-type: none"><li>• JRJDC Agency Fund</li><li>• OPEB</li><li>• Line of Duty</li><li>• Long Term Disability</li></ul> |

**GOVERNMENTAL FUNDS:** those through which most governmental functions of the County are financed. These include:

#### **General Fund**

The General Fund accounts for all revenue and expenditures of the County which are not accounted for in the other funds. Revenues are primarily derived from general property taxes, local sales taxes, license and permit fees, and revenues received from the State for educational and other purposes. Most General Fund revenue is used to maintain and operate the general government; however, a portion is also transferred to other funds principally to fund debt service requirements and capital projects. Expenditures usually include, costs associated with general government, education, public safety, highways and streets, recreation, parks, and culture.

#### **Special Revenue Fund**

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These funds account for the resources obtained and used relating to State and Federal Grants, Social Services programs, Mental Health and Developmental Services programs, the Utility Department's Solid Waste and Street Light operations, and the School Cafeteria.

#### **Debt Service Fund**

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on all governmental fund long-term debt except for accrued compensated absences and capital lease obligations which are paid by the fund incurring such expenditures. Debt Service Fund resources are derived from transfers from the General Fund.

#### **Capital Projects Fund**

The Capital Projects Fund accounts for all general government and school system capital projects which are financed through a combination of proceeds from general obligation bonds and operating transfers from the General Fund, Special Revenue Fund, and Internal Service Fund.

*Basis of Budgeting and Fund Structure (continued)*

**PROPRIETARY FUNDS:** accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the County is that the cost of providing services to the general public be financed or recovered through charges to users of such services. These funds include:

**Enterprise Funds**

Enterprise Funds account for the operation, maintenance, and construction of the County-owned water and wastewater (sewer) utilities.

**Internal Service Funds**

An Internal Service Fund accounts for the financing of goods or services provided by one department to other departments of the government on a cost-reimbursement basis. The Internal Service Fund budgets for the County are: the Central Automotive Maintenance operations, the Technology Replacement Fund, the Risk Management Fund, and the Healthcare Fund.

**FIDUCIARY FUND:** used if the government has a fiduciary or custodial responsibility for assets.

**James River Juvenile Detention Center (JRJDC) Agency Fund**

The JRJDC Agency Fund accounts for assets held by the County for the James River Juvenile Detention Commission. All revenue and expenditures related to operations are accounted for in separate sub-funds, operating, debt, and capital. Resources for operations are primarily derived from a transfer from the General Fund and payments from the State and other localities.

**Other Post Employee Benefits (OPEB) Fiduciary Fund (GASB 45)**

The OPEB Fiduciary Fund accounts for assets held by the County for Other Post Employee Benefits (OPEB-GASB 45 costs). Resources for these cost requirements are derived from a transfer from the General Fund.

**Line of Duty**

The Line of Duty Fiduciary Fund was created due to a mandate from the Commonwealth of Virginia that requires localities to pay the cost of this State approved benefit. Resources for this cost requirement are derived from a transfer to OPEB-GASB 45 Fiduciary Fund.

**Long-Term Disability**

The Long-Term Disability Fund includes funding for the fully-insured premiums to cover the basic, County-provided long-term disability benefit for eligible General Government and Schools employees. Resources for this cost requirement are derived from a transfer from the General Fund.

## STRUCTURE OF COUNTY FUNDS

