

Fund Balance Policy

Adopted: April 11, 2006

The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, the County needs to maintain a General Fund Balance sufficient to fund all cash flows of the County, to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature, and to provide funds for all existing encumbrances.

The purpose of this policy is to specify the size and composition of the County's financial reserves and to identify certain requirements for replenishing any fund balance reserves utilized.

I. The following individual items shall constitute the County General Fund Balance:

- A. Reserved Fund Balance: Reserved fund balance consists of portions of fund balance that are either legally restricted to a specific future use or are not available for appropriation or expenditure. Legally restricted portions of fund balance include "reserve for encumbrances".
 - 1. Reserve for Encumbrances – These funds are appropriated and encumbered balances for outstanding purchase orders, contracts, and other commitments for which goods and services have been ordered by the County, but the goods or services have not been received in full.
 - 2. Reserved for Debt Service – These funds are monies that are required by a bond indenture or similar agreement to be reserved for debt service payments in the event the government defaults on its debt. This is different than the Debt Service Fund, which has been established to account for transactions involving making normal principal and interest payments on the government's debt.

- B. Unreserved Fund Balance: Unreserved fund balance is often subdivided into designated and undesignated portions. Designated funds are held for future financial resource use, such as the replacement of equipment. Other designations include "for fiscal stability", "for contingencies" and "for appropriation in future years". Undesignated funds represent expendable available financial resources that can be used to meet contingencies and working capital requirements.
 - 1. Unreserved, Designated for Fiscal Stability – The County will maintain a fund balance designation for fiscal cash liquidity purposes (i.e. fiscal reserve) that will provide for sufficient cash flow to minimize the potential of short term tax anticipation borrowing. This amount shall be equal to not less than 15% of the combined budgeted expenditures of the County General Fund and the Orange County

Board of Education Operating Fund, net of the County's local share contribution to the School Board. The County Administrator shall annually calculate and verify to the Board the County's compliance with this policy. In determining such compliance, the following formula will be used: the audited balance available in the Unreserved fund balance of the County General Fund for the most recently audited fiscal year, divided by the adopted budget for the ensuing fiscal year for the County General Fund and the Board of Education Operating Fund, net of the County's local share contribution to the School Board.

2. Unreserved, Undesignated Fund Balance – Funds not otherwise reserved or designated as required above represent balances available for appropriation at the discretion of the Board. However, the Board will make every effort to use these undesignated funds for the following purposes (listed in order of priority):
 - Increase Reserved Fund Balances as deemed necessary.
 - Increase Unreserved, Designated Fund Balances as deemed necessary.
 - Transfer to the Capital Improvement Fund.
 - Use as beginning cash balance in support of annual budget.

The Board recognizes that any such funds should be appropriated for non-recurring expenditures as they represent prior year surpluses that may or may not materialize in subsequent fiscal years.

II. Monitoring and Reporting

The County Administrator and Finance Director shall annually prepare a report documenting the status of the fund balance with this policy and present to the Board in conjunction with the development of the annual budget. Should the report disclose there are unreserved, undesignated funds available; a recommendation for use of said funds shall be presented to the Board in the report.

III. Replenishment of the Unreserved, Designated for Fiscal Stability Fund Balance

Should the Unreserved, Designated for Fiscal Stability Fund Balance amount fall below the 15% targeted level, the Board must approve and adopt a plan to restore this balance to the target level within 24 months. If restoration of the reserve can not be accomplished within such period without severe hardship to the County, then the Board will establish a different time period.

INVESTMENT POLICY AND GUIDELINES

ORANGE COUNTY, VIRGINIA

In recognition of its fiduciary role in the management of all public funds entrusted to its care, it shall be the policy of the County that all investable balances be invested with the same care, skill, prudence and diligence that a prudent and knowledgeable person would exercise when undertaking an enterprise of like character and aims. Further, it shall be the policy of the County that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Virginia, including the Investment Code of Virginia and the guidelines established by the State Treasury Board and the Governmental Accounting Standards Board (GASB).

I. Investment Objectives

The primary investment objectives, in order of priority, shall be as follows:

1. **Safety** The safeguarding of principal shall be the foremost objective of the investment program and other objectives shall be subordinated to the attainment of this objective.
2. **Liquidity** The investment portfolio shall be managed at all times with sufficient liquidity to meet all daily and seasonal needs, as well as special projects and other operational requirements either known or which might be reasonably anticipated.
3. **Return on Investment** The investment portfolio shall be managed with the objective of obtaining no worse than a market rate of return over the course of budgetary and economic cycles, taking into account the constraints contained herein and the cash flow patterns of the County.

II. Allowable Investments and Quality

The following investment types and quality levels are approved for use by the County in the investment of its public funds:

1. U.S. Treasury Bills, Notes, Bonds and other direct obligations of the United States Government.

2. Obligations of Agencies of the Federal Government, including but not limited to the Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation and Student Loan Marketing Association.
3. Obligations of the Commonwealth of Virginia and of its local governments and public bodies, provided such obligations have a debt rating of at least “AA” or equivalent by Moody’s Investors Services or Standard & Poor’s, Inc.
4. Repurchase Agreements executed through Federal Reserve Member Banks or Primary Dealers in U.S. Government securities, and collateralized by Treasury or Agency obligations the market value of which is at least 102% of the purchase price of the repo.
5. Certificates of the deposit or other deposits of national banks located within the Commonwealth and state-chartered banks under Commonwealth supervision provided such deposits are insured or collateralized as provided by the Virginia Security for Public Deposits Act.
6. U.S. dollar denominated Bankers’ Acceptances issued by a domestic bank or a foreign bank with an agency domiciled in the U.S., and rated by Thomson Bankwatch at least B/C (issuing bank) and I (county of origin). Not more than 40% of the total funds available for investment may be invested in bankers’ acceptances.
7. U.S. dollar denominated Commercial Paper issued by an entity incorporated in the U.S. and rated at least A-1 by Standard & Poor’s Corp. and P-1 by Moody’s Investors Service. Not more than 35% of the total funds available for investment may be invested in commercial paper, and not more than 5% in the obligations of any one issuer.
8. U.S. dollar denominated short-term Corporate Notes and Bonds having a rating of at least AA by Standard & Poor’s Corp. and AA by Moody’s Investors Service.
9. Money Market Mutual Funds which trade on a constant net asset value and which invest solely in securities otherwise eligible for investment under these guidelines.

III. Maturity Restrictions

It is recognized that, prior to maturity date, the market value of securities in the County’s portfolio may fluctuate due to changes in market conditions. In view of this and the County’s primary investment objectives of liquidity and preservation of principal, every effort shall be made to manage investment maturities to precede or coincide with the expected need for funds.

Accordingly, the requirements established by the Code of Virginia and State Treasury Board guidelines are further restricted as follows:

1. Funds shall be invested at all times in keeping with the seasonal pattern of the County's cash balances, as well as any other special factors or needs, in order to assure the availability of funds on a timely and liquid basis. Cash flow projections will be monitored and updated on an ongoing basis by the County and communicated regularly to the investment managers.
2. A minimum of 10% of the portfolio must be invested in securities maturing within 30 days.
3. A minimum of 50% of the portfolio must be invested in securities maturing within 12 months.
4. Transactions in options, futures, options on futures, margin buying and commodities are prohibited.
5. Any other security not specifically authorized in this document is expressly prohibited.

IV. Additional Requirements

1. All securities purchased for the County shall be held by the County or by the County's designated custodian. If held by a custodian, the securities must be in the County's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the County. Further, if held by a custodian, the custodian must be a third party, not a counterparty (buyer or seller) to the transaction.
2. The County shall establish a system of internal controls which shall be documented and reviewed with internal and independent auditors and meet the requirements of the Governmental Accounting Standards Board (GASB). These controls shall be designed to prevent losses of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.
3. A review of all investments and investment results shall be presented by the investment managers to the County Treasurer or such parties as he/she may designate, on a quarterly basis or as required.
4. A list of all individuals authorized to transfer funds or otherwise conduct investment transactions on behalf of the County shall be maintained and communicated to all affected parties.
5. Any modification to the policy shall require the approval of the County Treasurer.

MANAGEMENT

The Treasurer will manage and oversee all investments of the county. This policy should be used as a guide and a tool for making and managing all investments for the county. The Treasurer, at any given time, may override this policy with a management decision that will benefit the county and taxpayers of Orange County. Any changes in the Code of Virginia affecting this policy will govern this policy where applicable until amended.

Phyllis M. Yancey
Phyllis M. Yancey, Treasurer

Adopted _____ November _____, 20 06 _____

**RESOLUTION OF THE BOARD OF SUPERVISORS
OF ORANGE COUNTY, VIRGINIA**

WHEREAS, public purchasing embraces a fundamental obligation to the general public to ensure that procurements are accomplished in accordance with the intent of the laws enacted by the appropriate legislative body. The intent of the Virginia General Assembly is set forth in the Code of Virginia with the Virginia Public Procurement Act (VPPA). To the end that public bodies in the Commonwealth obtain high quality goods and services at reasonable cost, that all procurement procedures be conducted in a fair and impartial manner with avoidance of any impropriety or appearance of impropriety, that all qualified vendors have access to public business and that no bidder or offeror be arbitrarily or capriciously excluded, it is the intent of the General Assembly that competition be sought to the maximum feasible degree, that individual public bodies enjoy broad flexibility in fashioning details of such competition, that the rules governing contract awards be made clear in advance of the competition, that specifications reflect the procurement needs of the purchasing body rather than being drawn to favor a particular vendor, and that purchaser and vendor freely exchange information concerning what is sought to be procured and what is offered. Since competition is sought to the maximum feasible degree, when conducted fairly and honestly, competitive procurement does not guarantee that a preferred brand or vendor will be selected; instead, that the most favorable prices will be obtained for that quality level which is specified, and

WHEREAS, Orange County intends, through this resolution, to assure the best quality and price for products and services; to protect the assets and funds of Orange County; to maintain above-board relations with all suppliers within the Procurement Laws and Business Ethics as dictated by Federal, State, and Orange County governments; and to provide safeguards for maintaining a procurement system of quality and integrity.

NOW THEREFORE, BE IT RESOLVED:

A purchasing system is hereby established which shall operate under the direction and supervision of the County Administrator, who shall be the Purchasing Agent for the County. The Purchasing Agent may delegate the administrative purchasing responsibility to a responsible subordinate, upon approval of the Board of Supervisors.

The Purchasing Agent shall serve as the principal public purchasing official for this County and shall hereby assume the administrative purchasing responsibility, including the operation of the centralized purchasing system of all supplies, equipment, materials, services and commodities for departments, officers, and employees of the County, except for the School Board and the

Board of Social Services, as well as for the management of the disposal of surplus supplies and equipment.

The Purchasing Agent shall:

- A. Purchase or supervise the purchase for all goods, services, insurance and construction needed by this County.
- B. Sell, trade or otherwise dispose of surplus goods belonging to the County;
- C. Establish and maintain programs for specification development, contract administration, inspection, and acceptance, in cooperation with the County Department or public body that has requested the good, service, insurance or construction;
- D. Prepare and update standard specifications;
- E. Inspect or require the using Department to inspect all deliveries of goods, services, or construction purchased through the Purchasing Agent to assure conformance with the contract specifications;
- F. Procure for the County the highest quality goods, services, insurance and construction at the lowest overall cost;
- G. Endeavor to obtain maximum feasible competition for all procurement and sales;
- H. Keep informed of current developments in the field of procurement, pricing methodology, market trends and new products;
- I. Establish and promulgate procedures to carry out the provisions of this policy;
- J. Prepare and adopt standard procurement definitions and forms;
- K. Prepare and maintain a pre-solicitation and contract file containing descriptions of commodities and prices of goods and services.
- L. Maintain a current file of sources for goods and services including construction and insurance to be known as a “bidder’s list” on which vendors can request to be included;
- M. The Purchasing Agent shall refuse to issue any purchase order until there has been certification of funds availability.
- N. Perform other functions and duties as required by this policy or as the County Administrator or his designee may assign.

The County Administrator or his designee may delegate authority to purchase certain supplies, services, or construction items to Departments, other County employees or public bodies, if such

delegation is in writing and is deemed necessary for the effective execution of procurement for those items.

The Purchasing Agent shall have the authority to disapprove any purchase as to the quantity or quality of the commodity requested, and shall have the authority to change specifications.

The Purchasing Agent will prepare and maintain a manual containing rules and procedures consistent with this Resolution.

BE IT FURTHER RESOLVED:

That the provisions of Virginia Code, in the Virginia Public Procurement Act (VPPA) are hereby adopted as the procurement policy of Orange County.

BE IT FURTHER RESOLVED:

1. All Constitutional Officers and Department Directors shall obtain reasonable prices for all purchases regardless of dollar value or commodity.
2. All County Departments and Constitutional Officers must submit a Requisition for Purchase for all proposed purchases totaling \$5,000 or more. In determining the estimated contract amounts, Departments and Constitutional Officers shall include total annual requirements. Procurements shall not be artificially divided to avoid or circumvent the procurement process.
3. For all procurements from \$5,000 to less than \$30,000, quotes shall be solicited from not less than three vendors or suppliers and the results shall be recorded on the Purchase Requisition form.
4. For procurement requirements with an expected amount equal to or greater than \$30,000, formal solicitation procedures shall apply which utilize either sealed bids or proposals. Board of Supervisors approval shall be required at this dollar threshold unless otherwise authorized by the Board of Supervisors.

Adopted by a majority of the Board of Supervisors at its regular meeting held May 13, 2008.

TESTE: _____