

County Funds Structure and Basis of Budgeting

Basis of Accounting

The County's accounting records are maintained on a modified accrual basis for the General Fund, Special Revenue Funds, and Capital Improvement Funds. Under the modified accrual basis of accounting, Revenues are recognized when susceptible to accrual, i.e., as soon as they are both measurable and available. Revenues from intergovernmental reimbursement grants are recorded when earned. Other revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers general property tax and other intergovernmental revenues to be available if they are collected within 31 days of the end of the current fiscal period, and are due on or before the last day of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Funds Accounting

The accounts of the County and its discretely presented component units (Hanover County Public Schools and the Economic Development Authority) are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which comprise assets, liabilities, fund equities, revenues, and expenditures, or expenses, as appropriate. The various funds are summarized by governmental or business-type activities in the general purpose financial statements, while component units are reported in separate columns/rows. The following fund types and account groups are used by the County:

- A. Governmental Fund Type – Governmental type funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are reported through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The County's governmental fund types are:

General Fund – The general fund is the chief operating fund of the County. All general tax revenues and other receipts that are not allocated by law or other contractual agreement to another fund are accounted for in this fund. From this fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid through other funds. This fund contains the operating budgets for most traditional local government programs such as Public Safety, Parks and Recreation, and Public Works.

Special Revenue Funds – Special revenue funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the Comprehensive Services and Community Services funds of the primary government; the School, Food Service, and Textbook Funds of the School Board component unit; and the Economic Development Authority Fund.

1. Comprehensive Services Fund – This fund reflects revenues and expenditures associated with providing child-centered, family-focused, and community-based system of services for youth with emotional or behavioral problems. Revenues are derived from General Fund transfers, state aid, and reimbursements from various insurance programs.

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2. Community Services Fund – This fund reflects revenues and expenditures associated with providing a comprehensive system of community-based mental health, mental retardation, and substance abuse services. Revenues are generated primarily from General Fund transfers, charges for services, and state and federal aid.
3. School Fund – The School Fund is the primary operating fund for all education-related governmental activities. Revenues come primarily from General Fund transfers and state and federal aid.
4. Food Services Fund – The Food Service Fund accounts for all of the operations of the school food services program. Revenues are generated from charges for services and state and federal aid.
5. Textbook Fund – The Textbook Fund provides administration, maintenance, and control over all of the textbooks used in the schools. Revenues are derived from General Fund transfers and state aid.
6. Economic Development Authority (EDA) Fund – This fund reflects revenues and expenditures associated with the issuance of tax-exempt industrial development revenue bonds to qualifying enterprises wishing to utilize that form of financing. Those bonds representing limited obligations of the EDA are to be repaid solely from the revenue and receipts derived from the projects funded with the proceeds. The debt outstanding does not constitute a debt or pledge of the faith and credit of the County or the EDA.

Capital Improvement Funds – Capital improvement funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. The County maintains two capital improvement funds.

1. County Improvement Fund – This fund controls the financing and construction of most non-educational County facilities, such as parks, libraries, and public safety facilities. The Board of Supervisors approves these projects through the County’s Capital Improvement Program (CIP). Revenue sources for this fund include transfers of local tax funding from the General Fund, the issuance of debt, and grants and developer contributions (proffers).
2. School Improvement Fund – This fund controls the financing and construction of local educational facilities. Revenue sources consist of local tax funding from the General Fund, the issuance of debt, and developer contributions.

- B. Proprietary Fund Type – Proprietary funds are used to account for a government’s business-type activities. The services provided in these funds are intended to recover all or a significant portion of their costs through user fees. The County’s proprietary fund types are:

Enterprise Funds – Enterprise Funds are used to provide services that are financed and operated similarly to those of a private business enterprise. The County has two enterprise funds: Public Utilities Fund and Airport Fund.

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1. Public Utilities Fund – This fund accounts for the operation and maintenance of the County’s water and sewer system. The County’s Department of Public Utilities operates and maintains public water and wastewater systems in the Suburban Service Area, the Hanover Courthouse Area and five rural residential subdivisions. Operations and capital expenditures are funded with revenues generated from customer user fees and one-time fees paid for capacity at the time of connection to the system.
2. Airport Fund – An Airport Fund was created in February 2007 to account for the County’s oversight of the Hanover County Airport. A fixed base operator (FBO) handles the day-to-day operations of the airport. Revenues are derived primarily from rental income provided by the FBO, state aid, and General Fund transfers.

Internal Service Funds – Internal Service Funds are used to account for the costs of operations for services provided to other County departments. The County has two internal service funds: Fleet Services Fund and Self-Insurance Fund.

1. Fleet Services Fund - This fund accounts for the operations of the County garage. Services provided include preventative maintenance and repair of County and School vehicles and maintenance and repair of County radios. Revenues are derived from inter-fund charges.
2. Self-Insurance Fund – This fund provides for the fiscal management of the County and School Board health insurance premiums. Revenues are generated primarily from premiums charged to employees and to departments.

C. **Fiduciary Fund Type** – Fiduciary funds are used to report resources that are used to report assets held for others and cannot be used to support the locality’s programs. The County has four fiduciary funds; however, only the following two are appropriated.

1. Bell Creek Community Development Authority Fund – This fund is used for the collection of revenue to provide for the repayment of the 2003 Special Assessment bonds issued for the Bell Creek Community Development Authority.
2. Lewistown Commerce Center Community Development Authority Fund – This fund is used for the collection of revenue to provide for the repayment of the 2007 Revenue bonds issued for the Lewistown Commerce Center Community Development Authority

Basis of Budgeting

In most cases, the County’s budget follows the same basis of accounting used in preparing the County’s Comprehensive Annual Financial Report (CAFR), which is prepared in accordance with generally accepted accounting principles (GAAP). Several exceptions should be noted. The budget document does not include the following funds listed as Fiduciary Funds in the CAFR: the Escrow Fund, and the Special Welfare Fund. Fiduciary funds are used to account for resources received and held in a fiduciary capacity for the benefit of individuals, private organizations, or other governments. In addition, budgets for the proprietary funds are adopted in accordance with GAAP with the exception that the budget recognizes the flow of funds (i.e., payment of debt principal is budgeted and depreciation is not budgeted).