

Yellow Medicine County
ALF- Inventory
Inventory Narrative
FYE 12-31-07

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Since many items can change in value rapidly, the Road & Bridge Department maintains a FIFO inventory of only the most crucial (generally the higher dollar amount) of inventory assets. For Yellow Medicine County this includes aggregates, culverts/bands/aprons, signs and posts, tires, and fuel. FIFO means the first item purchased (oldest on the “shelf”) is the first item consumed and will be cost at the rate it was actually purchased. Inventory assets are generally broken out by type, class, size, shape, or rating. Yearly seasonal bids for aggregates, culverts, bands, and aprons are submitted by suppliers, tabulated by the Highway Department, and accepted and/or awarded every March by the County Board of Commissioners. These seasonal bids generally determine the supplier and per unit price for various types of a particular inventory. The Costrite accounting program keeps a history log for each separate inventory item which tracks purchases and withdrawals showing dates, quantity, cost per piece, vendor, customer, equipment, project or road. Inventory items are consumed not only for road /bridge maintenance, project construction, and equipment, but also sold to other governments, county departments, and individuals. Items sold to entities outside county departments have a 10% markup for overhead. No markup is added for inter-fund transactions. The cost accounting program is also used for expensing inventory consumption to roads and/or projects, other government entities, county departments, and individuals. Inventory file maintenance in the costing accounting program is the responsibility of the Highway Accountant. Withdrawal entries, adjustments, and invoicing are done monthly with purchases processed semi-monthly by the Highway Accountant and reconciliation to actual physical count annually.

If an item previously withdrawn is available later to re-use, it is considered salvage since it has already been “costed” out to a road, project, or equipment and no longer “exists” in inventory. These types of salvage materials are either re-used for road & bridge maintenance (at no “cost”) or available to individuals/outside entities at one-half (or less) the usual invoice price depending on condition which is determined most often by the Maintenance Supervisor or Foreman. If any inventory item does become obsolete, it is removed from inventory, expensed to an unallocated cost account if applicable, and available for sale as salvage.

For the county’s year-end reporting, inventory is recorded as expenditures when those items are acquired. However, the Costing program used by Road & Bridge recognizes inventory items as expenditures when they are consumed to accommodate Minnesota Dept. of Transportation’s reporting requirements. These two types of accounting methods are reconciled by the Highway Accountant, and a year end special adjustment is made to Road & Bridge Non-Spendable Inventory Fund Balance to accommodate the State Auditor’s directive for financial reporting.

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Physical counts of inventory are sometimes done mid-year but are always done at year end to reconcile the manual count to the computer count. The Maintenance Supervisor and Foreman are responsible for the aggregates, culverts, tires, and fuel counts; the Sign Technician and Engineering Technician for the signs & posts. All manual counts are turned in to the Highway Accountant so reconciling, balancing, and reporting purposes may be completed.

Aggregates Inventory includes, but is not limited to, gravel, seal-coat chips and fines, and riprap which are inventoried by the ton or converted to cubic yards. The county's gravel pit is located in Canby, but inventoried stockpiles are also maintained throughout the county at various leased sites or at one of the other four county shops for accessibility purposes. Each highway maintenance employee maintains a Load Sheet for recording loads of inventory purchased or withdrawn. This load sheet helps in detailing the date, quantity, road/system or project, cost code, customer, vendor, pit or stockpile, inventory class/type/rating, and unit number not only for tracking the aggregate inventory being purchased and/or consumed but also for non-inventory aggregates. After being reviewed by the Maintenance Supervisor and Foreman, the load sheets are turned in monthly to the Highway Accountant for entry into the costing program and invoicing if necessary. Purchasing is the responsibility of the Maintenance Supervisor with final approval by the County Engineer and the County Board. Editing, accounting entries, reconciliation, payment processing, and reporting are the responsibilities of the Highway Accountant

Culverts/Bands/Aprons Inventory is secured in a locked fenced-in area located at both the Granite Falls and Canby highway shops. An inventory log is kept at each location to manually track withdrawals. Much like the aggregate load sheet, the culvert log shows dates, quantities, class & type, road/system, project or customer. Log entries are documented by any road & bridge county employee. The Maintenance Supervisor or Foreman's timesheet may also note "sales" to a road, project, entity or individual; such notations are updated onto the inventory log. The Highway Accountant enters information from these sources into the costing program monthly and invoices are generated if necessary. Purchasing items in this category is the responsibility of the Maintenance Supervisor with final approval by the County Engineer and County Board. Editing, data entry, accounting entries and reconciliation, payment processing, receipts, and reporting are the responsibilities of the Highway Accountant.

Signs/Posts Inventory is situated in a separate closed off area within the Granite Falls shop. A log is manually kept for tracking withdrawals much like the culvert log. The Sign Truck also has an inventory of signs for replacing and/or erecting signs along the county roads and bridges. The Sign Technician keeps a separate inventory log to track the withdrawals for road/bridge maintenance or from sign installation orders. All inventory logs and "sales orders" are turned in monthly to the Highway Accountant for

Yellow Medicine County
ALF- Inventory
Inventory Narrative
FYE 12-31-07

entry into the costing program and invoicing if necessary. Purchasing is the responsibility of the Sign Technician and the Engineering Technician who works with general traffic controls, with final approval by the County Engineer and County Board. Editing, data entry, accounting entries, reconciliations, processing payment, receipts, and reporting are the responsibilities of the Highway Accountant.

Tire Inventory is located in a specific area of the Granite Falls shop and is detailed by type and size. Withdrawals are noted on the timesheet of the employee working on the piece of equipment receiving the tire. The withdrawal is approved by the employee's supervisor and turned in to the Highway Accountant for inventory tracking. Purchases are the responsibility of the Maintenance Foreman with final approval by the County Engineer and County Board. Inventory entries and reconciliation, accounting entries, payment processing, and reporting are the responsibility of the Highway Accountant.

Bulk Fuel Inventory consists of metered fuel tanks for ethanol and diesel located at each of the five county shops. Currently, the Granite Falls shop has one diesel tank for blade (off hwy use), one diesel truck (licensed for hwy use), and one ethanol tank. The Canby shop has one diesel (shared by trucks and blades) and one ethanol tank; Clarkfield, Wood Lake, and Porter shops each have one diesel tank (shared by trucks and blades). All fuel tanks are locked nightly; withdrawals are tracked monthly on a manual fuel log located inside each shop. The fuel logs document the date, quantity (gallons), and equipment unit number for both purchasing and withdrawals. To assist the Highway Accountant in reconciliations and inventory management, physical measurements of fuel are taken each month with a calibrated stick, meter readings of gallons used from each bulk tank, and vehicle mileage readings are noted at month end on the fuel logs. The Sheriff's department also has access to the bulk fuel at Granite Falls and Canby; other county departments have access to the ethanol bulk fuel at Granite Falls. A separate monthly fuel log is posted at these two shops for tracking the sheriff's and county departments' withdrawals. All fuel logs are turned in monthly to the Highway Accountant for tabulating, reconciliation, entry into the costing program for inventory purposes, payment processing for purchasing, and invoicing if necessary. Fuel suppliers submit monthly bids to the Highway Department for bulk diesel and ethanol at each location. The Highway Accountant is responsible for sending out bid forms and bid results awarding that month to the lowest bidder of each type of fuel at each shop location. Bulk fuel is first purchased as inventory then withdrawn and expensed to the units, road, or project as noted on the fuel logs. Other county departments (Sheriff Dept.included) consuming bulk fuel are sent invoices to reimburse the Highway Department for inventory fuel used or to pay direct to the vendor/supplier that portion of the month's purchase of which they consumed. Swift County is invoiced for the reimbursement of county engineer fuel purchased.

Yellow Medicine County
ALF- Inventory
Inventory Narrative
FYE 12-31-07

The Highway Accountant is also responsible for preparing and submitting various tax reports and payments relating to petroleum products which include Minnesota's Special Fuel Tax Return prepared and filed monthly; Minnesota's Power Take-Off Fuel Tax Refund prepared and filed annually; Minnesota's Sales Tax Refunds prepared and filed annually, the Federal Excise Fuel Tax Refund information for fuel suppliers, and renewing the Highway Department's Special Fuel Tax License each year.