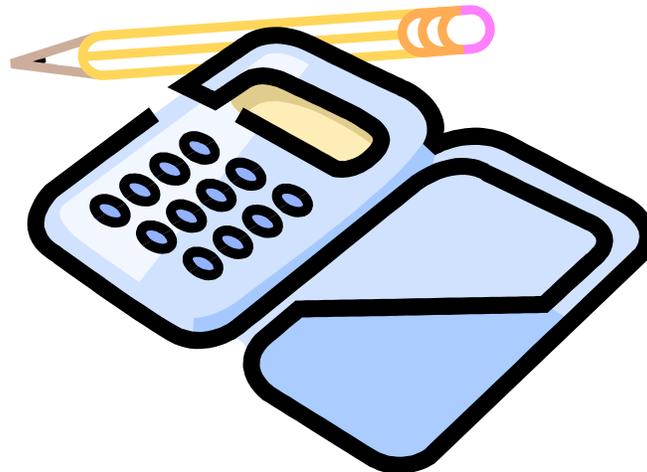


# Yellow Medicine County

## Accounting Policies and Procedures Handbook

Approved 8/12/2008

Last Revised 11/17/2015



# TABLE OF CONTENTS

Summary of Significant Accounting Policies .....	3
Financial Reporting Entity .....	3
Basic Financial Statements .....	4
Measurement Focus and Basis of Accounting .....	5
Assets, Liabilities, and Net Assets or Equity .....	6
GASB 34 Related Policies.....	10
Capital Assets .....	10
Budget.....	11
Classification of Program Revenues .....	12
Functional Reporting Level.....	13
Current Portion of Compensated Absences .....	14
Use of Restricted Assets .....	14
Elimination of Internal Activity .....	14
Classifying Proprietary Fund Revenues .....	16
Identifying Special or Extraordinary Items .....	16
Public Purpose Doctrine.....	17
Payment of Claims and Other Obligations .....	20
Credit Card Policy .....	23
Travel Policy.....	23
Electronic Funds Transfer Policy.....	23
Revenues .....	25
Accounting and Reporting .....	27
Journal Entries .....	30
Financial Statement Preparation .....	34
Budget Policy .....	35
Long Term Receivables and Payables, and Contracts Payable.....	35
Membership Dues .....	35
Gifts and Contributions.....	36
Real Estate Taxes .....	36
Records Retention.....	36
Recorder .....	36
Sheriff .....	36
Road & Bridge.....	37
Human Services .....	39
Updating and Amending the Manual .....	40
 <b>APPENDIX – See Appendix Table of Contents .....</b>	 <b>41</b>

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The significant changes in the statement include the following:

The financial statements include:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the County's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the County's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The County has elected to implement all provisions of the statement.

Revenue, Road and Bridge, and Human Services consolidated accounting systems the Fall of 2002 to prepare for the requirements of GASB 34 to present a Government-Wide financial statement.

Certain fund reclassifications were made.

- The Forfeited Tax Sale Special Revenue Fund was eliminated because of the new fund definitions in GASB Statement 34. The proceeds from forfeited tax sales were settled out in December of 2003. All future proceeds from forfeited land sales were accounted for in the Taxes and Penalties Agency Fund beginning for 2004 and are settled out annually with the November tax settlement.

### **Financial Reporting Entity**

Yellow Medicine County was established March 6, 1871, and is an organized County having the powers, duties, and privileges granted counties by M.S. § 373.01. As required by accounting principles generally accepted in the United States of America, the financial statements present Yellow Medicine County. The County is governed by a five-member Board of Commissioners elected from districts within the

County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator serves as the clerk of the Board of Commissioners, but has no vote.

## **Basic Financial Statements**

### **Government-Wide Statements**

The government-wide financial statements (the statement of net position and the statement of activities) display information about Yellow Medicine County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities are normally supported by taxes and intergovernmental revenue.

In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net position; and (3) unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. All expenses, including depreciation, that support a specific function are directly charged and reported against that function. Any indirect expenses experienced by the County are reported within the General Government function. No attempt is made to allocate these indirect expenses to the other functions of the County. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The County will summarize its activities to the following functional levels: General Government, Public Safety, Highways and streets, Sanitation, Human Services, Health, Culture & Recreation, Conservation of Natural Resources, Economic Development, and Interest.

### **Fund Financial Statements**

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed

as separate columns in the fund financial statements. The County reports all of its governmental funds as major funds.

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Highway Special Revenue Fund** is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The **Human Services Special Revenue Fund** is used to account for economic assistance and community social services programs.

The **Ditch Special Revenue Fund** is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited property.

The **Bond Debt Service Fund** is used to account for financial resources to be used for payment of long-term debt principal, interest, and related costs.

Additionally, the County reports the following fiduciary fund types:

The **Investment Trust Fund** is used for specific investments held by the County for Union (Doncaster) Cemetery Association, a legally separate entity that is not part of the County's financial reporting entity.

**Agency Funds** are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agency capacity.

## **Measurement Focus and Basis of Accounting**

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*.

Revenues are recognized as soon as they are both measurable and available. Yellow Medicine County considers all revenues to be *available* if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

## **Assets, Liabilities, and Net Assets or Equity**

### **Deposits and Investments**

The cash balances of substantially all funds are pooled and invested by the County Finance Manager for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value based on market prices. Pursuant to M.S. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

Yellow Medicine County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to M.S. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that

they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of the same date in the prior year. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15 or November 15, depending on the classification. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

### **Inventories**

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

See the Inventory Narrative for detailed procedures.

### **Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **Restricted Assets**

Certain funds of the County are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

Unrestricted resources will only be used to pay restricted liabilities after appropriate restricted resources have been depleted, or the County Board takes specific action to appropriate those unrestricted resources.

### **Capital Assets**

Capital assets, which include property, plant, equipment, infrastructure (such as roads, bridges, sidewalks, and similar items) and intangible assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets

are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment and intangible assets of Yellow Medicine County are depreciated or amortized using the straight-line method over estimated useful lives as spelled out in the County of Yellow Medicine Guide to Capital Assets. Intangible assets are amortized using the straight-line method over the assets estimated useful lives.

See the YMC Capital Assets Guide and Capital Asset Narrative for detailed procedures and the Capital Assets section of the GASB 34 Policies.

### **Compensated Absences**

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

See the Compensated Absences section of the GASB 34 Policies.

### **Deferred Outflows and Inflows of Resources**

All County funds and the government-wide financial statements defer resources that have been received, but not yet earned. Governmental funds also report deferred resources in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Restricted and Unrestricted Fund Balance**

“Restricted” Fund balance includes amounts that are “Nonspendable” or “Restricted”. These amounts are reported at year-end, according to legal restrictions on those budgets.

The Unrestricted Fund Balance includes amounts that are “Committed”, “Assigned” or “Unassigned”. The County Board of Commissioners may “commit” fund balances at the end of the fiscal year for budgetary purposes, while the County Administrator may “assign” or “unassign” fund balances. Refer to policy 407 on the County website for the Comprehensive Fund Balance policy.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **GASB 34 Related Policies**

The following policies are presented and adopted and/or amended in response to the accounting and reporting requirements of the Governmental Accounting Standards Board (GASB) pronouncement 34 and later pronouncements. These policies provide the foundation for the collection and reporting of County financial information in accordance with these pronouncements.

“Fund Statements” refers to the individual fund year-end financial statements. These are essentially the same as previously published statements.

“Government Wide Statements” refers to the Statement of Net Position, Statement of Activities, and the reconciliation required under GASB 34 reporting standards.

Yellow Medicine County maintains the following governmental funds:  
Revenue, Road and Bridge, Human Services, Ditch, and Debt Service; and at times a Capital Projects Fund

Yellow Medicine County maintains the following fiduciary funds:  
Cemetery Investment, State of Minnesota, and Taxes & Penalties

### **A. Capital Assets Policy**

All capital assets are considered General Capital Assets and are reported only in the Governmental Activities’ portions of the Government Wide Statements.

Capital Assets are reported at historical cost, or if donated, fair market value at time of donation.

Depreciation and amortization expense are reported as a direct expense of the Functional Levels of the County, as identified herein, with the exception of the Courthouse building whose entire depreciation expense is reported within General Government. Infrastructure depreciation is reported as a direct expense of the responsible Function – primarily the Highway Department.

### **Threshold**

The lower value threshold for the collection and reporting of Capital Assets for Government Wide reporting purposes will be according to the following table:

<b>Class of Assets</b>	<b>Lowest Value Threshold</b>
Land	\$ 1
All Other Classes of Assets	\$ 5,000

Items acquired of lesser value may be recorded and inventoried for control purposes, but generally will not be included in financial statement reporting.

### **Categories of Asset**

Capital Assets will be reported in summary within the following list of Categories. Further classification within these categories may be used for convenience and control purposes:

Land  
Infrastructure  
Buildings  
Improvements, Other Than Buildings  
Machinery & Equipment  
Art & Historical Treasures  
Construction in Progress

### **Depreciation and Amortization**

Depreciation and amortization will begin the first day of the month of purchase and will be calculated using the Straight Line Method.

Any depreciation and amortization expense not recognized prior to disposal of the asset will be recognized at disposal. The appropriate amount of gain or loss is also recognized on disposal if the gain or loss is material.

For a more complete guide refer to the “YMC Capital Asset Guide” in the Appendix.

### **B. Budget Policy**

#### **For financial statement reporting purposes:**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the permanent funds which are not budgeted. The capital projects funds adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

On or before July 31<sup>st</sup> of each year, all departments and agencies submit requests for appropriations to the County Finance Manager and County Administrator for budget preparation. Before August 31, the proposed budget is presented to the County Board for review. The Board allows public comment before the final budget is adopted.

The appropriated budget is prepared by fund, function, and department. The County's department managers may make transfers of appropriations within a department by submitting a reallocation request to the County Administrator or the County Board depending on the amount of the transfer. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the fund level.

Encumbrance accounting is employed in governmental funds. Encumbrances (i.e. purchase orders, contracts) outstanding at year-end are reported as reservations of

fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year. Reapportioned encumbrances are added after the original budget is set for the subsequent year.

### **For Departments Heads:**

Refer to Policy 402 on the County website for more department head budget procedures and requirements.

## **C. Classification of Program Revenues Policy**

The *Statement of Activities* in the government-wide financial statement requires identification of the County's revenues as either program or general revenues.

The County receives financing from essentially four sources. The County will use the following criteria for revenue recognition of the different types of revenues.

- A. Those who purchase, use, or directly benefit from the goods or services of the program (this group may extend beyond the boundaries of the reporting government's taxpayers or citizenry or be a subset of it).
  - B. Parties outside the reporting government's citizenry (This group includes other governments and nongovernmental entities or individuals).
  - C. The reporting government's taxpayers (This is all taxpayers, regardless of whether or not they benefit from a particular program).
  - D. The governmental institution itself (for example, through investing).
1. Type A. is always a program revenue.
  2. Type B. is program revenue if restricted to a specific program or programs; otherwise, it is general revenue.
  3. Type C. is always general revenue, even if restricted to a specific program.
  4. Type D. is usually general revenue.

Program revenues derived directly from the program itself and/or from parties outside the reporting government's taxpayers or citizenry, as a whole, reduces the net cost of the function to be financed from the government's general revenues. The *Statement of Activities* should separately report three categories of program revenues:

(a) fees, charges, fines, and other, (b) program-specific operating grants and contributions, and (c) program-specific capital grants and contributions.

The determining factor for identifying the function to which program revenue pertains is the function generating the revenue. For grants and contributions, the determining factor is the function to which the revenues are restricted.

Use the OSA Crosswalk located in the Office of the State Auditors “County Financial Accounting and Reporting Standards” (COFARS) manual under section 5000 for coding new account numbers. Also, refer to the chart of elements in IFS as some of the revenue object code ranges are different than the OSA Crosswalk. If IFS is different use the object range in IFS for the account number. Then map the revenue account to match the OSA Crosswalk by using the code in the chart of elements heading for that range.

The government-wide, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, expenditure driven grants and interest are all considered to be susceptible to accrual but may be considered deferred inflows of resources.

#### **D. Functional Reporting Level Policy**

For Government Wide reporting of Activities, the County will summarize its Activities to the following Functional Levels:

- General Government
- Public Safety
- Highways and Streets
- Sanitation
- Human Services
- Health
- Culture and Recreation
- Conservation of Natural Resources
- Economic Development
- Interest

## **E. Policy to Determine the Current Portion of Compensated Absences**

### **Sick Leave**

Under the County's personnel policies and union contracts, County employees are granted Sick Leave in varying amounts depending upon their union contract and length of service. Vested sick leave is paid to employees upon termination or death. To estimate the amount of hours vested for the sick leave accrual of each employee the County will use the following schedule:

<u>Years of Service Completed</u>	<u>Estimate They Will Remain For</u>	<u>Percentage At Payout</u>
3	5 – 7	10%
5	8	15%
6	9	20%
7	10 - 14	25%
11	15 - 19	30%
15	20 – 24	35%
19	25+	40%

The Vesting Method will be used for calculating and reporting the full accrual liability for unused sick leave. Vested sick leave (and other compensated absences with similar characteristics) is booked and reported as due within one year using a 5 year trend analysis. The percentage calculated in the trend analysis is used to book and report the current portion of unused sick leave. The balance remaining is booked and reported as due within more than one year. Vested sick leave, and other compensated absences with similar characteristics, is accrued as a liability based on the above at the date of the financial statement.

### **Other Then Sick Leave**

Vacation leave, and other compensated absences with similar characteristics, are calculated and reported as due within one year using the same 5 year trend analysis as vested sick leave. The balance remaining is booked and reported as due within more than one year.

## **F. Use of Restricted Assets Policy**

The County will first apply restricted resources when a liability is incurred for purposes where both restricted and unrestricted net assets are available unless the County Board takes specific action to appropriate the unrestricted resources first.

## **G. Policy for Elimination of Internal Activity**

Internal activities include the following situations:

- Vendor statements may include charges for more than one fund (i.e. MCIT property insurance).
- The cost of shared expenditures is paid by one fund with reimbursements (either by warrant or journal entry) due from another fund(s) (i.e. postage).
- A fund performs services, sells commodities, and/or rents equipment or space to another fund.

The following outlines the procedures for eliminating internal activities in the Governmental Wide Financial Statement.

Invoices/Statements shall be sent by one fund to another fund for reimbursement. They should state the type of charges listed on the invoice. Types include Fees for Services, Commodity Reimbursements, Rental Fees, and Expenditure Reimbursements.

Revenue object codes 5990-5999 and expenditure object codes 6388-6399 are reserved for internal activities. Revenue object codes have been set up as follows:

<u>Type of Revenue</u>	<u>Object Code</u>
Fees for Services	5991
Commodities	5992
Rental Revenue	5999

These revenues are mapped in IFS to be negative expenditures.

Expenditure reimbursements will be receipted as a negative to the expenditure account that originally incurred the expense or to object code 6010 if the original account number is unclear. Therefore, no revenue object codes will be set up for expenditure reimbursements. Expenditure object codes have been set up as follows:

<u>Type of Expenditure</u>	<u>Object Code</u>
Rental Charges	6391
Fees for Services Reimbursement	6392
Commodities Reimbursement	6393

When preparing journal entries, all Funds will utilize the same list of object codes as are used for payments by warrants.

### **Tax & Penalty Fund**

County eliminates the activity between the Tax & Penalty Fund and the Revenue, Road & Bridge, Human Services, Debt, and Ditch Funds for the November/December tax settlement with a receipt batch dated in the current audit year. The December tax settlement payout to external entities occurs in January of the following year.

## **H. Policy for Classifying Proprietary Fund Revenues**

The County does not operate any Proprietary Funds.

## **I. Policy for Identifying Special or Extraordinary Items**

Two types of one-time items qualify for separate reporting. An *extraordinary item* is an event unusual in nature, out of management's control, and infrequent in occurrence. A *special item* is a transaction subject to management's control that is either – not both – unusual in nature or infrequent in occurrence (i.e., a significant sale of capital assets).

*Extraordinary items* and/or *special items* will be reported as a separate line item near the bottom of the *Statement of Activities* and/or the *Statement of revenues, expenditures, and changes in fund balance* depending on materiality of the transaction to the focus of the particular financial statement. If the County has both *extraordinary items* and *special items* to report in the same year, the two types of items will be reported separately.

## **PUBLIC PURPOSE DOCTRINE**

### **Public Funds**

According to the interpretation and understanding of state law described as the “public purpose doctrine”, public funds may be spent only if the purpose is a public one for which tax money (and all funds) may be used, there is authority to make the expenditure, and the use is genuine.

There is not a precise definition of what constitutes a “public purpose”. However, the courts have interpreted it to mean “such an activity as will serve as a benefit to the community as a body and, at the same time, is directly related to the functions of government.”

Human Services may have more stringent policies to comply with Federal and State reporting requirements and may be required to use forms specified to those needs.

A declaration must be signed by vendors or other claimants, and employees and elected officials for reimbursable expenses, as included on the claim forms or on the check endorsement, which states:

On claim form for mileage reimbursement:

I attest that I have a valid driver’s license in the state in which I reside and the vehicle used in incurring the above-stated reimbursement request has the insurance legally required by Minnesota State Statutes.

Mileage Signature: \_\_\_\_\_

Check Endorsement:

All warrants other than Payroll and Human Services warrant:

The above signed payee in endorsing this warrant check declares that the same is received in payment of a just and correct claim against the County and that no part of it has here-to-fore been paid.

Payroll and Human Services warrants:

The undersigned payee in endorsing this warrant check declares that the same is received in payment of a just and correct claim against the County and that no part of it has here-to-fore been paid.

Commentary by State Auditor Patricia Anderson

County officers and employees often ask the State Auditor’s Office whether certain expenditures are allowed by law. In order to assist you in addressing such

questions, this article will present some of the basic standards to consider when you are faced with an expenditure request.

First, consider the nature of a county's authority to expend funds. As a public entity, a county must have statutory or charter authority to make an expenditure. Such authority may be either expressly enumerated in a statute or in the county's charter, or "implied as necessary in aid of those powers which have been expressly conferred." *Mangold Midwest Co. v. Village of Richfield*, 143 N.W.2d 813, 820 (Minn. 1966). This is a county's main limitation in spending money. Counties can always ask for more authority from the legislature.

Second, make sure each expenditure is for a public purpose. The public purpose requirement originates in the Minnesota Constitution, which states that "taxes.....shall be levied and collected for public purposes." The Minnesota Supreme Court has explained that "public purpose" generally means "such an activity as will serve as a benefit to the community as a body and which, at the same time, is directly related to the functions of government" *Visina v. Freeman*, 89 N.W.2d 635 (1958). It has also stated that public funds may be used by a public entity if the purpose is a public one for which tax money may be used, there is authority to make the expenditure, and the use is genuine. *Tousley v. Leach*, 180 Minn. 293, 230 N.W. 788 (1930). Generally, the main point is that a county's expenditure must ultimately benefit the county's citizens as a whole, although various citizens may benefit more or less directly.

Many of the specific questions we receive involve requests for donations by individuals, non-profit entities, charities, etc. Such donations are not permitted unless they are based on express statutory authority. The assumption is that a gift of public funds to an individual or private entity necessarily serves a private, rather than a public purpose. Attorney General opinions have stated that public entities have no authority to donate funds, even to groups like 4-H clubs, the Red Cross and the Boy Scouts. If a group is going to perform a function that the county has authority to perform, the county should set out the arrangement in a properly executed contract.

Counties, unlike private employers, must remember that public funds cannot be given away to public, employees or officials as gifts. Public funds should not be used to purchase plants, flowers, birthday cakes, etc. for officers, employees or others. Likewise, unless express authority provides otherwise, employee social functions may not be paid for with public funds. Of course employees can informally pool their own money to purchase such things for each other. The Attorney General has stated that municipal corporations may not imply authority to appropriate public revenue for celebrations, entertainments, etc., or fund a Christmas party for employees. However, counties are expressly authorized to establish and expend funds for preventive health and employee recognition services. M.S. § 15.46 (2002).

The State Auditor's Office hopes that the information in this article helps you as you make decisions regarding county expenditures. If you have questions, feel free to contact the State Auditor's Legal Division at (651) 296-2551.

## **PAYMENT OF CLAIMS AND OTHER OBLIGATIONS**

### **Purchasing**

The purchasing process for Yellow Medicine County starts in each individual department. The department will decide they have a need for an item. An order will be placed with the respective vendor. The department will receive the items ordered along with an invoice. If all of the items were received in satisfactory condition, the department head/supervisor will review the invoice, prepare a claim, initial and date it to approve the transaction for payment. The claim and invoice are delivered to the Finance & Administration (F&A) Office for payment. Invoices including the vendor's name and address are required. Each department will receive the "Revenues/Expend Budget Report – QTD" and year to date "Account Activity Report" quarterly and at the beginning of December by email to assist in tracking expenditures during the year.

According to County policy, the department heads are authorized to approve all claims within the budget including furniture and equipment purchases of less than \$5,000 as long as Policy 503.403 is followed. Furniture and equipment purchases from \$5,000 to \$25,000 following Policy 503.404 must have prior approval from the County Board. For all other claims over \$25,000 follow Policy 503 for the purchase requires either a sealed bid or at least two quotes and County Board approval. See Contracts Narrative for Yellow Medicine County contract process. See Purchasing Narrative for more detailed procedures. Also see Policy 503 which is posted on the County website.

### **County Disbursement Process**

Claims and original invoices are due to Accounts Payable Staff in the F&A Office by the Tuesday before the board meeting. Claims for payment are entered into the IFS System with the assigned budget line item account code. A Commissioners Warrant Register or Audit List is presented to the Commissioners for approval. Commissioner warrants are processed semi-monthly and are approved at the Board meetings. The checks are mailed three business days following the board meeting.

Auditor Warrants are processed as needed. See Resolutions 14-2008 and 12-2009 for warrants the County Board has authorized the County Finance Manager to pay.

### **When a Department Head is on Leave**

The County Administrator can sign claims in the absence of the Department Head. Refer to the resolution approved in the Appendix 11-27-07-02.

### **Accounts Payable**

Payables are only recorded at year end. Invoices paid in January and February are reviewed and coded with an accrual code of AP, DTF or DTG in IFS indicating the transaction as a payable.

## **Minnesota Sales and Use Tax**

Most county purchases are sales and use tax exempt effective January 1, 2014. However, county sales of commodities, rental of equipment, copies, and printouts are subject to payment of Minnesota Sales and Use Tax (1992 Law change). The Minnesota Department of Revenue website at [www.taxes.state.mn.us](http://www.taxes.state.mn.us) has "Fact Sheets" available by subject and by number that may be helpful. County Staff authorized to make purchases should be aware that the County is required to provide all vendors with a certificate of exemption where purchases are sales and use tax exempt. Prior to making a purchase, County Staff should provide this certificate or confirm that one is on file with the vendor. Only purchases directly paid for by the County are exempt from sales tax. Employee reimbursements of purchases are not exempt. Examples of non-exempt purchases include meals and lodging, purchases made for the operation of campgrounds, some credit card purchases, and materials purchased by a third-party contractor used in a construction contract. County staff should review all invoices for proper sales and use tax exemption before submitting for approval and payment.

## **Archival Policy**

Prior to 2010, original paper claims with attached invoices, receipts, and other attachments were kept according to the General Record Retention Schedule in the F&A Office. After December 31, 2009, claims with attached invoices, receipts, and other attachments are kept electronically according to the General Record Retention Schedule on the County's document imaging system.

## **Unclaimed Warrants**

All County checking accounts should be monitored monthly for outstanding checks over 90 days old to determine if the warrant needs to be cancelled due to duplicate payment on account, service was never provided, class was cancelled, etc. The warrant should be cancelled if there was a reason it was not cashed. All small accounts should be monitored by the department maintaining the account. That department also follows up on the outstanding check as instructed below. All large accounts will be monitored by the Finance Manager and follow up will be the responsibility of Human Services Fiscal Supervisor for unclaimed Human Services warrants, the Highway Accountant for unclaimed Road and Bridge warrants and the Finance & Administration Deputy for all other unclaimed warrants.

The follow up process is as follows:

Contact payees with outstanding checks within 3 months from date of issuance for payroll checks and 5 months from the date of issuance for all other checks. Request they cash the check as soon as possible. If a check is lost, a Non-receipt/Replacement Affidavit (Appendix 60) is required to be completed and signed before a replacement warrant can be issued. A Non-receipt/Replacement Affidavit (Appendix 60) is mailed or emailed along with a letter asking the payee to

complete the form and return it. Once the form is received, a duplicate check will be issued and mailed to the payee. If no response is received after 30-days a second letter is sent by certified mail to the last known address; or if the payee is a taxpayer of Yellow Medicine County and if the check is for under \$50, the check may be cancelled and applied to the taxpayer's prepaid taxes for the following year. If no reply has been received within a three year period ending with June 30, the payee should be sent a notification in either July or August. The notice should include steps necessary to prevent abandonment if their whereabouts are known. If the owner makes no contact, outstanding checks over \$100 are added to the list of unclaimed property, and reported to the State according to M.S.345.41. Amounts under \$100 are reported together in an aggregate total. The total value of the listed amounts and the aggregate total are forwarded to the MN Department of Commerce by check and the original checks are cancelled. The form to report unclaimed property is completed by the Finance Manager in late summer of each year.

### **Replacement of Lost, Stolen or Destroyed Checks**

If a request is received for replacement of a lost, stolen or destroyed check, the payee or vendor must complete and sign the "Non-receipt/Replacement Affidavit" form in the Appendix. In the case of a stolen check, the bank is contacted for verification that the original check was not cashed. A stop payment is then put on the check and a replacement check is issued. If the check was lost or destroyed a replacement check is issued once the affidavit is received.

### **W-9 Forms Required**

A W-9 form is required to be completed by each new vendor whose payment qualifies for a 1099, where the Tax ID number or Social Security Number is required. See example W-9 form in the Appendix.

### **2004 Federal Check 21 Policy**

Cancelled checks may be returned to the county or retained by the banks. The County keeps cancelled checks for 6 years plus the audit year, according to the General Record Retention Schedule. The Check 21 Policy removed the requirement that banks return cancelled checks, and are now required to return only electronic images of the checks. See State Auditor Position in Appendix I.

## **CREDIT CARD POLICY**

## **AUTHORITY TO ESTABLISH**

Minnesota Statute 375.171 Credit Cards

**Refer to policy 502 on the County website.**

## **TRAVEL EXPENSE REIMBURSEMENT**

**Refer to policy 201.110 and 201.111 on the County website.**

## **ELECTRONIC FUNDS TRANSFER POLICY**

### **STATUTORY AUTHORITY**

Minnesota Statute 385.071 states "...the county board shall establish policies and procedures for investment and expenditure transactions via electronic funds transfer."

### **PURPOSE**

To ensure the safety of County funds through controlling the electronic flow of these funds.

### **POLICIES AND PROCEDURES**

1. The Yellow Medicine County Board of Commissioners delegates the authority to make electronic fund transfers to the County Finance Manager. The Finance Manager shall further extend that authority to include F&A Deputies for the sole purpose of initiating electronic funds transfers that pay expenditures of and for Yellow Medicine County.
2. If a change in personnel takes place in the F&A Office, it is the responsibility of the County Finance Manager to make password changes with each electronic transfer subdivision. This policy is to include any agency not currently being accessed by security code but may require it. In the event there is a vacancy in the County Finance Manager position, the County Board of Commissioners shall delegate authority to an F&A Deputy to change all security codes used for the sole purpose of making electronic funds transfers.
3. The initiator shall document all electronic fund transfers on a claim form designated for the type of expenditure being paid. The claim form shall be initialed and dated by the person who is performing the transfer of funds and the Finance Manager. Documentation shall be attached to the claim form. The completed claim form shall be filed with the claims paid by warrant and imported into the County document imaging system. Payments can be made in this

method for any board approved expenditures, bond payment, investment purchase, or State and Federal mandated payments.

4. Payroll is made by mandatory electronic fund deposits except for non regular part time people. Payroll withholdings and County share of benefits are to be made by electronic fund transfers whenever possible also.

## REVENUES

According to M.S. §385.05 Receipt and Payment of Money, “The county auditor-treasurer shall receive all moneys directed by law to be paid to the treasurer and pay them out only on the order of the proper authority.” The authority to collect and pay monies has been designated to the Finance Manager per Resolution 28-2011.

Actual income should be credited to budgeted revenue line items. Accounts and budget line items are setup according to COFARS (State Auditor “County Financial Accounting and Reporting Standards”) requirements and GASB34 Reporting. See the purple COFARS manual in the office of the Finance Manager for a more detailed explanation.

**Reimbursements for some current year expenses should be credited to an expenditure line item in a budget.** If the reimbursement is received in a new fiscal year, it should be credited to miscellaneous revenue instead. There may be exceptions according to State rules and regulations.

For general receipting and recording procedures, see the Cash Receipts Narrative.

### **Classification of Program Revenues**

Program revenues are revenues that apply directly to a program from revenue sources, not including tax collections. Program revenues include charges for services applicable to the program, specific grants and contributions to the program, and earnings of endowments or investments specifically restricted to that program. Those revenues not designated by rule, statute, or policy to a program, are considered General Revenues to the County.

### **Revenue Recognition in Governmental Fund Statements**

Governmental Fund Statements, including the General Fund, are presented using modified accrual accounting. In order for a receivable to be recognized as revenue within these statements, it must be considered available. The County considers revenue available if it is collectable within 60 days of the date of the financial statement.

### **Other Acquisitions**

Donations of property and goods to the county must first be approved by the County Board of Commissioners.

## **Accounts Receivable**

Billing customers for services provided is performed by several county departments. Second notices or reminders are sent if payments are not received within a reasonable period.

During January and February of the new year, any payments received for those outstanding invoices must be marked as Accounts Receivable.

Receivables are set up for year-end accrual entries. The departments that typically have receivables are Road & Bridge, Sheriff, Jail, Human Services and F&A (miscellaneous revenue). Receivables are set up just like regular cash receipts, but with an added step.

Receipts received in January and February for the prior year are coded in IFS with an accrual code of accounts receivable (AR), due from other funds (DFF) or due from other governments (DFG) indicating the transaction as a receivable of a prior year.

See the Receivables Narrative for more detailed procedures.

## **Grants Accounting**

All grant applications must be approved by the County Board. Use the GASB 34 Grant Application form in the Appendix when bringing your request to the board. Accounts are setup using COFARS for the correct Local, State or Federal grant category for income and expenses. The necessary information needed for financial reporting is included.

## **Overpayments/Underpayments**

An overpayment of \$5.00 or less will not be refunded and underpayments of \$5.00 or less will be considered payment in full.

## **NSF Checks**

The banks automatically return NSF checks to the County after they have been submitted for processing twice. If a receipt can be cancelled (such as for property tax payment), it is. If the money was received in another department, the department is notified and is responsible for contacting the customer or client directly to collect the required money. There is a County NSF Check Charge – see 15-2008 NSF Charge under Resolutions & Minutes in the Appendix. However, it may be waived if the funds are paid in a reasonable amount of time.

# **ACCOUNTING AND REPORTING**

Resolution 08-2008 authorizes the Auditor-Treasurer to establish or reclassify accounts and departments in the budget and financial statements of Yellow Medicine County. This authority has been designated to the Finance Manager per Resolution 28-2011.

## **Month and Year-End Working Trial Balance Process**

After all receipts and checks have been processed, payroll interfaced, and journal entries entered in the IFS System the F&A Deputy's 'Cash Trial Balance' is compared to the IFS "Treasurers Cash Balance". If they agree the F&A Deputy's 'Cash Trial Balance' is balanced with the Highway Accountant's Costrite and Human Services Fiscal Supervisor's balances. All reports and printouts are reviewed by the Finance Manager. Any questions are addressed with the Deputy in charge of financial activities or the appropriate department head. The Finance Manager prepares a "Summary of Revenues and Expenditures-Cash Basis" quarterly report and a "Year to Date Revenues, Expenditures, Cash on Hand & Budget Remaining-Cash Basis" quarterly report for the County Board members—both are in excel format. Monthly a 'Revenue/Expend Budget Report-QTR' is printed and forwarded to the Highway Engineer. This work is completed no later than the tenth day of each month.

Each month the F&A Deputy prepares a 'Cash Trial Balance' in excel format which is stored in the "Finance" folder on the "Auditor" server. She/he gives the 'Cash Trial Balance' to the F&A Deputy in charge of financial activities. The F&A Deputy in charge of financial activities prints a "Treasurer's Cash Trial Balance" from the IFS system which she compares by fund with the 'Cash Trial Balance' to ensure that the cash in each fund matches. If there are any differences, they are investigated and corrections are made.

Quarterly department budget reports are emailed to Department Heads along with a year to date account activity. They will also receive the budget reports after November is closed or upon special request.

The month of December is closed as soon as possible after the end of the month accounting is finished. Once December is closed no receipts or disbursements can be made to the prior year but journal entries and the accruals can still be made back to the prior year. The Finance Manager and the F&A Deputy in charge of financial activities can enter the journal entries. The F&A Deputy in charge of financial activities typically prepares and enters monthly journal entries. Once the monthly journal entries are made the F&A Deputy in charge of financial activities prints a cash trial balance and reconciles it to various spreadsheets to ensure the funds and accounts balance.

Occasionally a new account will need to be added to the IFS system. The County tries to follow COFARS with their chart of accounts. The Finance Manager will check the COFARS manual, the Office of the State Auditor (OSA) trial balance manual, and the codes on the chart of elements--IFS Menu 1030—to determine what the code should be and then will check the chart of accounts—IFS Menu 1050—to make sure the number is not already in use. She/he adds all account numbers for the County, including Human Services and payroll. All new accounts are mapped for GASB 34 at the time they are set up. The start date of the account is changed to 01/01/2002 or January 1 of the last closed year to avoid issues with printing various reports.

Mapping codes are set up in IFS Menu 999010. A number is assigned for each location on the financial statement. Accounts are mapped to the various areas of the financial statement by inserting these numbers when the account is added to the chart of account. A lot of the government wide codes/numbers are listed as headings on the chart of elements. A report can be run that will tell if all accounts are mapped. This report is called a GASB 34 Audit List and is run by using IFS Menu 3390.

Yellow Medicine County has adopted the Integrated Financial System (IFS) as our general ledger package. The following numbering sequence is based on the State Auditor's recommendations that are listed in the COFARS manual except for some revenues. Those revenues will need to be mapped to agree with the COFARS manual.

Ranges by Department:

001 – 199	General Government
200 – 299	Public Safety
300 – 389	Highway
390 – 399	Sanitation
400 – 449	Family Services
450 – 489	Health
500 – 599	Culture & Recreation
600 – 699	Conservation of Natural Resources
700 – 799	Economic Development
800 – 809	Other Non-Departmental (Receipts of Revenue Only)
810 – 819	Debt Service
820 – 840	Fiduciary Funds

Ranges by Program:

001 – 199	General Government
200 – 249	Public Safety
600 – 898	Human Services
900 – 949	Culture, Recreation & Parks
950 – 999	Conservation & Economic Development

Ranges by Activity:

0001 – 9999 Services

Ranges by Object – Revenue:

5000 – 5019 Taxes  
5020 – 5089 Special Assessments  
5090 – 5099 Licenses & Permits  
5100 – 5199 Charges for Services  
5200 – 5249 Shared Revenues  
5270 – 5279 Intergovernmental Charges  
5280 – 5289 Payments in Lieu of Taxes  
5290 – 5299 Local Grants  
5300 – 5399 State Grants  
5400 – 5499 Federal Grants  
5500 – 5534 \*\*\*\*Save for COFARS Changes\*\*\*\*  
5535 – 5589 Miscellaneous  
5590 – 5599 Investment Earnings  
5600 – 5699 Fines & Forfeitures  
5700 – 5749 \*\*\*\*Save for COFARS Changes\*\*\*\*  
5750 – 5799 Gifts & Contributions  
5800 – 5899 \*\*\*\*Save for COFARS Changes\*\*\*\*  
5900 – 5959 Other Financing Sources as listed below  
5910 – 5919 Transfers In  
5920 – 5939 Capital Asset Sales  
5940 – 5959 Bond Sales  
5960 – 5969 Special Items  
5970 – 5999 Extraordinary Items

Ranges by Object – Expenditure:

6000 – 6099 Public Aid Assistance (except for 6010 is used for reimbursed expense)  
6100 – 6149 Salaries & Wages  
6150 – 6199 Employee Benefits  
6200 – 6229 Communication & Transportation Services  
6230 – 6239 Typing, Copying, Duplicating & Binding  
6240 – 6249 Publicity, Subscriptions & Dues  
6250 – 6259 Utilities Services  
6260 – 6299 Professional & Technical Services  
6300 – 6326 Repair & Maintenance Services  
6325 – 6339 Travel  
6340 – 6349 Rentals & Service Agreements

6350 – 6387 Other Charges  
6388 – 6399 Interdepartmental Charges  
6400 – 6409 Office Supplies  
6410 – 6429 General Operating Supplies  
6430 – 6499 Other Operating Supplies  
6500 – 6559 Highway Supplies & Materials  
6560 – 6599 Repair & Maintenance Supplies  
6600 – 6699 Capital Outlay  
6700 – 6799 Debt Service  
6800 – 6899 Other Expenditures  
6900 – 6909 Transfers Out  
6910 – 6959 Appropriations  
6960 – 6999 \*\*\*Open for Other\*\*\*\*

## **ITEMS TO CONSIDER AS JOURNAL ENTRIES BEFORE THE AUDIT**

- New capital asset account numbers added need the Fixed Asset Flag marked “y”.
- Ask State Auditors for State Payment Run
  - Sub recipient – report individually
  - Vendor Payments (Reimbursements of services) – are all lumped together
- Any capital leases during the year? (capital leases under \$5,000 are under the threshold for capitalizing assets so skip them) do a journal entry to move interest portion on modified statements if they are a capital asset.
- GASB 31 requires Federal Bonds (i.e. Fannie Mae’s, Federal Home Mortgage, etc.) to be stated at fair market value (FMV) on the Modified Balance Sheet. REMEMBER to adjust for gain or loss Increase/Decrease to investment income.
  1. If there is a reduction in FMV of Government Bonds make an adjusting entry to decrease investments object code 1080 and decrease investment earnings object code 5595.
  2. If there is an increase in the FMV of government bonds, make an adjusting entry to increase investments object code 1080 and increase investment earnings object code 5595.
- Watch for accrued interest purchased on Federal Bonds when doing accrued interest work papers.

- Make adjusting entry for prepaid expenses – ask other accountants if they have any.
- For modified accrual – report capital assets as an expenditure of the department that purchased or holds them (i.e. extension has Welfare car, so extension reports the expense). It is only the full accrual statement where we capitalize assets.
- Encumbrances are added to the final budget of the following year. To calculate encumbrances:
  1. Use Contracts Payable work paper:
    - o Original amount
    - o Amount paid
    - o Certified amounts
    - \* The difference between original and certified is the encumbrance
    - \* The difference between the amount paid and certified is the contract payable.
    - \* DO NOT include state aid contracts when calculating the encumbrances.
    - \* Check amounts paid on contracts from 1/1 – 2/28. If work was completed in prior year, use it as certified amount. If work was for current use the last partial from prior year for the certified amount.
  2. Ask Highway “Did you budget for equipment in 200X(4) that you ordered in 200X(4) but did not receive in 200X(4) that amount is considered an encumbrance (if they ordered in 200X(4) but didn't budget in 200X(4) you CAN NOT encumber).
  3. Check Revenue Fund for any projects not completed (i.e. Jail Building and Fair Building, Park contracts)
- Salaries Payable – Use the P/R distribution account summary for the period ending 12/31/0X paid 1/15/0X. There may be more than one printout; if so, add them together.
- Read through minutes for missing contracts.
- Remember the policy – when both restricted and unrestricted are available restricted resources are used first (i.e. Recorder Equipment Fund, Unallocated Funds, and E911 Funds)
- Check Ditch Payables for Judicial Ditch share to other counties – consider Redwood, Lac Qui Parle and Lyon county payments made in January 1 – February 28 – to be sure they were marked Due to Other Governments (DFG); they should be recorded as Intergovernmental revenue (account #41-610..5270).

- Federal grants are reported by CFDA#. To look up a program go to "www.cfda.gov" then call up by CFDA# the # should be on the grant application or the state payment run.

- Per Jail Administrator – Unpaid "Pay to Stay" balances due are turned over to the collection agency after 60 days. If the ex-prisoner pays in less than 30 days the collection agency keeps 10%, after 30 days the collection agency keeps 30%. If the balance is turned over to legal, the agency keeps 50%. The jail uses:

Collection Bureau of Little Falls  
120 SE 1<sup>st</sup> St, Suite 2  
PO Box 246  
Little Falls, MN 56345

- Monies received for expenditure driven grants 60 days after the end of the year are reported as Deferred Inflows of Resources. Expenditure driven grant advances and highway advances are reported as Deferred Inflows of Resources. Water Plan, Score, Veteran Service Office and Human Services Grant's are reported as "Restricted for Unspent Grant Monies". Donations and Contributions are reported as "Restricted for Unspent Contributions".

- Road and Bridge account 13-303..5291 (mapped as a negative expenditure) should only be used for local share of highway projects. Engineering time on the project should go to charges for services. If payments for account 13-303..5291 are received after February 28<sup>th</sup> for the prior year share of costs it should be coded to 13-801..5559 miscellaneous revenue instead.

- Reimbursement of any expenses received after the February 28<sup>th</sup> deadline needs to be receipted as Miscellaneous Revenue instead of a negative expenditure.

- Accrued interest received after the February 28<sup>th</sup> deadline needs to be Deferred Inflows of Resources. The Cemetery Fund is full accrual only DO NOT defer accrued interest.

- Unemployment Rates for the Management Discussion & Analysis (MD&A) come from searching the web.

- Typically ditch special assessments receivable "non current" should be larger than "prior".

- Instead of calculating a Gain or Loss on Sale of Capital Assets include any remaining balance (purchase price less accumulated depreciation) as depreciation expense for assets disposed of during the year since the amount is usually minimal. This is done in order to get the asset off of the books.



- Since the cemetery fund is full accrual it should use ‘Restricted for Participant’ for the fund balance even when we make the change in 2011

- Donated Capital Assets—if \$5,000 or more

Add an account to Other Financing Area

Object Code        5930

Activity Row        \_\_\_\_\_ (i.e. 120 if public safety)

Activity Column      5   (only if \$5,000 or more)

Government Row    7939 

Debit    XX-XXX..6660

Credit XX-XXX..5930

Equipment

Capital Contributions

If you do journal entries to adjust Invested in Capital Assets net of Debt or other restricted net assets remember to adjust the fund balances.

E911 & Election Equipment interest earnings are immaterial to the government-wide statement so include the earnings with unrestricted investment earnings on the Statement of Activities.

## **FINANCIAL STATEMENT PREPARATION**

The Finance Manager typically prepares the modified and full accrual entries in IFS. Once all of the year-end entries are entered, the trial balances are run on the modified and full accrual basis. Various accounts are tied to spreadsheets that have been prepared by various people after the year-end.

Once the trial balances have been converted to modified and full accrual, the financial statements are run out of IFS. The financial statements are then given to the State Auditor to complete the review. While they are being reviewed, the Finance Manager prepares the MD&A. Once approval is received on the statements from the Office of the State Auditor, a summary report is published in the legal newspaper for the financial statement year.

The Finance Manager should read through the minutes on at least a monthly basis to ascertain that all Board actions that impact the general ledger are recorded.

When the financial statements are completed, the County Finance Manager should review the statements to ensure that the reported amounts can be tracked back to the prepared supporting schedules and worksheets.

*Determining the Over \$5,000 Vendor List to be Published Annually*

The Accounts Payable Clerks will list all payments to various credit cards during the year. All Accounts Payable Clerks report their totals to the County Finance Manager annually. If the grand total of all credit card payments by all departments in the County is over \$5,000 the Accounts Payable Clerks must review all individual vendors for common vendors with other departments. All departments must add their payments together when determining the largest vendors; if two or three of the largest vendors reduce the grand total below \$5,000 no further review is necessary. Otherwise, the Accounts Payable Clerks must continue to review the vendors until it can be determined that no one vendor is over \$5,000. Any vendor paid over \$5,000 during the year by County credit card should be included on the over \$5,000 vendor list published annually with the financial statement.

Vendor payments that go directly to a third party, bank, or collection agency instead of the vendor (i.e. IFS Vendor list shows First National Bank for payment when the vendor is actually Parkview Ford) must be noted by all Accounts Payable Clerks and reported to the County Finance Manager annually along with the credit card totals. The third party paid (i.e. FNB) will appear on the IFS Paid Vendor List. If any of these vendors are over \$5,000, the vendor published in the newspaper should be the actual vendor we purchased the product or service from NOT the third party to which the warrant was issued.

**BUDGET POLICY** – See Budget Narratives for detailed procedures.

## **LONG TERM RECEIVABLES AND PAYABLES, AND CONTRACTS PAYABLE**

Long term receivables and payables must be reported in the full accrual financial statements for programs and projects authorized. “Long Term” means more than one year. These include repayment of loans on the “Receivable” side, to report as assets; and leases and some contracts on the “Payable” side, to report as liabilities. An example of the form is included in this section.

Other information such as the cash activity expected within the next budget year must be reported separately as “Current”. The balances remaining after that are reported as “Non Current”.

## **MEMBERSHIP DUES**

The County Board may appropriate funds for certain memberships as explained in M.S. §471.96.

## **GIFTS AND CONTRIBUTIONS**

The County Board may approve acceptance of gifts and contributions according to M.S. §375.26. The gifts and contributions are used for the purposes given in accordance with this statute, as well as GASB 54. Under GASB 54, funds should be restricted if constraints are placed on the use of the resources from external creditors, grantors, contributors, or laws and regulations.

## **REAL ESTATE TAXES**

**Refer to the Taxes Narrative in the appendix for general information on Real Estate Taxes.**

**Refer to the Delinquent Real Estate Tax Checklists in the Appendix for the various procedures on handling properties with delinquent real estate taxes. See Resolution 01-2008 in the Appendix for use of Tax Forfeit Fees**

## **RECORDS RETENTION SCHEDULE**

The County adopted the 'Minnesota County General Records Retention Schedule' on June 27, 1991. Since we have adopted this schedule we should always use the most current addition. The website to obtain the most current addition of the retention schedule is:

[http://www.mnhs.org/preserve/records/docs\\_pdfs/mncounties\\_entireschedule.pdf](http://www.mnhs.org/preserve/records/docs_pdfs/mncounties_entireschedule.pdf)

## **RECORDER**

**Refer to Recorders Office Narrative in the Appendix.**

## **SHERIFF**

**Refer to Sheriff Narrative in the Appendix.**

## **ROAD & BRIDGE**

### **CASH AND RECEIPTS**

*Refer to the Cash Receipts Narrative in the Appendix for procedures.*

### **ACCOUNTS PAYABLE**

*Refer to the Contracts Narrative and the Purchasing Narrative in the Appendix for procedures.*

### **INVENTORY**

*Refer to the Inventory Narrative in the Appendix for procedures.*

### **PAYROLL**

*Refer to the Payroll Narrative in the Appendix for procedures.*

### **CONTRACTS**

*Refer to Policy 503 which is posted on the County website and the Contracts Narrative in the Appendix for procedures.*

### **COORDINATION BETWEEN DEPARTMENTS**

The 5-year Road & Bridge Construction Program is reviewed with the maintenance department during the development process to gain information on roadways and bridges which may need future reconstruction. Information on problem areas (soft road beds, snow trap areas, poor drainage, etc.) are also obtained from maintenance personnel during the preliminary design phase of the various projects so needed items may be included in the construction plans for the project.

### **BIDS**

At bid opening, the bid totals are read aloud by the Engineer and the bid documents (proposal and bonds) are checked for signatures and completeness. The engineering staff checks the item amounts, extensions and bid totals to determine if they match the total amount on the proposal. If not, the changes are noted and the correct total from the corrected extensions are used for the determination of the low bidder. A bid abstract is completed and provided to the County Board along with a recommendation to award the bid based on low bid and engineer's estimate.

### **PERMITS**

Road & Bridge issues permits for oversize/moving, barricades, utilities, and entrances to monitor and control usage and access on county roadways and right-of-ways. Currently no permit fees are required but an approved and signed copy is provided to the permittee with the original kept on file at R&B. Approval, or non-approved, permits are signed by the maintenance supervisors, the County Engineer (or Assistant County Engineer).

## **END OF MONTH**

The Accountant reconciles the costing program's trial balance to Accounts Receivable, State Aid allotments, Construction in progress, Fixed Assets, Inventory, Accounts Payable, and Cash. Adjustments are done as needed before each month is closed. Invoices are sent monthly. The Accountant issues a new fuel bid, awards the coming month's fuel to the lowest bidder, and provides the results to all suppliers involved. Each shop's fuel log is also tallied monthly and usage and payment is allocated proportionately to equipment, roads, or entity. A Special Fuel Tax report and refund is calculated and prepared monthly; a Use Tax report and refund is filed quarterly by the Accountant before submitting to the County Finance Manager for EFT payments.

## **YEAR END**

At year end, the Accountant spreads unallocated costs to the road systems and the current year's projects; spreads fringe benefits from payroll to roads and projects, reconciles year end inventory balances to actual counts; and reviews all accounting activity for the current year before processing necessary adjustments and journal entries. Reports from the costing ledger and the general ledger are then prepared in the following areas for the compilation of the R&B Annual Report which is submitted to the County Engineer, Board of Commissioners, and County Finance Manager:

Receivables, Payables, Fixed Assets, Equipment files and remarks, Revenue & Expenditure summaries (with accrual), Summary & Detail of Maintenance Costs, Analysis of Routine Maintenance, Construction Costs Summaries and Project Costs in Detail, Analysis of State Aid & Federal Funding and Projects, and R&B Balance Sheet.

The County Finance Manager uses the information provided by R&B reports to complete the County's annual reporting of finances. State Aid Finance uses certain reports in determining future maintenance allotments. The Accountant submits the mandatory State Aid Reports after signed approval by the County Engineer and District Engineer. The Accountant is also responsible for submitting the annual FHWA (Local Highway Finance Report) to the State each year; financial information from townships, cities, and sheriff's department needed for this report is received from the County Finance & Administration office.

## **Human Services**

### **ACCOUNTS PAYABLE**

The SSIS computer system is used to make payments to vendors that are providing services to clients. Refer to the Accounts Payable narrative for further instructions. The contact for support is [ssishelp@state.mn.us](mailto:ssishelp@state.mn.us) and the phone number is 651-431-4800. Also, the Minnesota Department of Human Services website, [www.dhs.state.mn.us](http://www.dhs.state.mn.us), has a section on SSIS resources that is very helpful.

The IFS system is used to make administrative payments. Refer to the Accounts Payable narrative for further instructions.

IFSpi Support email is [IFSupport@trimingov.com](mailto:IFSupport@trimingov.com) and the phone number is 855-622-0937.

### **FISCAL REPORTING**

Annually DHS publishes a Bulletin with all required reports including instructions, contact persons, and deadlines. This Bulletin can be found on the Minnesota Department of Human Services website, [www.dhs.state.mn.us](http://www.dhs.state.mn.us).

### **Updating and Amending the Manual**

The County Finance Manager will update the handbook with new board approved resolutions and new or updated board approved policies. Also, the County Finance Manager will update the handbook with new or updated narratives, forms, and checklists which have received Finance Committee approval.

# APPENDIX

## Narratives

Budget.....	1
Capital Assets .....	2
Cash & Investment.....	3
Cash Receipts.....	4
Contracts.....	5
Financial Reporting .....	6
Inventory .....	7
Monitoring Controls .....	8
Payroll .....	9
Purchasing .....	10
Receivables.....	11
Recorder .....	12
Recorders Security.....	13
Sheriff.....	14
Social Welfare .....	15
Tax .....	16
Vendors – New/Changed .....	17
Medical Assistance Recoveries.....	18
Federal Audit Procedures.....	19
Testing Controls .....	(Pending) 20

## Resolutions & Minutes

11-27-07-02 County Administrator Signs Claims in Absents of Dept. Head.....	40
01-2008 Use of Tax Forfeit Fees.....	41
08-2008 Authorize Auditor-Treasurer to Establish & Classify Accounts .....	42
19-2010 Authorize Auditor-Treasurer to Pay - Auditor Warrants.....	43
15-2008 NSF Charge .....	44
20-2008 Charging for Copies .....	45
12-2009 Authorize Aud.-Treas. to Pay - Auditor Warrants including septic.....	46
28-2011 Delegating Auditor/Treasure Signature Authority to Staff in F&A .....	47

## Forms

Affidavit – Lost Check.....	60
Form W-9 .....	61
GASB 34 Grant Application.....	62

## Check lists

Delinquent Taxes	
Delinquent Tax Procedures .....	70
Expiration of Redemption.....	71
Forfeiture Auction .....	72
Accrual Entries .....	73
Contracts.....	74

County of Yellow Medicine Guide to Capital Assets.....	98
--	----