



# Board of County Commissioners Agenda Request

5C  
Agenda Item #

**Requested Meeting Date:** May 24, 2016

**Title of Item:** Financial Policies

<input checked="" type="checkbox"/> REGULAR AGENDA <input type="checkbox"/> CONSENT AGENDA <input type="checkbox"/> INFORMATION ONLY	<b>Action Requested:</b> <input checked="" type="checkbox"/> Approve/Deny Motion <input type="checkbox"/> Adopt Resolution (attach draft)	<input type="checkbox"/> Direction Requested <input type="checkbox"/> Discussion Item <input type="checkbox"/> Hold Public Hearing* <i>*provide copy of hearing notice that was published</i>
<b>Submitted by:</b> Nathan Burkett		<b>Department:</b> Administration
<b>Presenter (Name and Title):</b> Nathan Burkett, County Administrator		<b>Estimated Time Needed:</b>
<b>Summary of Issue:</b>  At Tuesday's meeting I will review the proposed Financial Policies with the Board.  Please see the attached.		
<b>Alternatives, Options, Effects on Others/Comments:</b>		
<b>Recommended Action/Motion:</b> Adopt Financial Policies.		
<b>Financial Impact:</b> Is there a cost associated with this request? <input type="checkbox"/> Yes <input type="checkbox"/> No What is the total cost, with tax and shipping? \$ Is this budgeted? <input type="checkbox"/> Yes <input type="checkbox"/> No <i>Please Explain:</i>		

Legally binding agreements must have County Attorney approval prior to submission.



# AITKIN COUNTY ADMINISTRATION

Aitkin County Courthouse  
Nathan Burkett, Administrator  
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Aitkin, MN 56431  
218-927-7276  
Fax: 218-927-7374

TO: County Board  
FROM: Nathan Burkett   
CC:  
DATE: May 18, 2016  
RE: Financial Policies Summary

Summary of Policies: Adopts financial policies for Aitkin County guiding budgeting, spending authority, assets, and incorporating certain directed procedures. Most of the policies are a written version of current practice. Those policies which are changes to current practice are underlined in this summary.

There is no existing current financial policy manual.

1. Section A adopts GASB and GAAP Principles, cash accounting basis, audit procedures and financial reporting standards.
2. Section B adopts a budgeting approach, budgeted process, identifies those funds that will be budgeted (versus non-budgeted), cash plus encumbrances basis of budgeting and defines budget compliance. Provides flexibility for department heads to use funds under their authority provided the “bottom line” of the budgets under their management is compliant. Defines circumstances when budget amendments are needed.
3. Section C requires Board approval for permanent change funds, allows for administrative establishment of temporary change funds up to \$500.00. Requires audit and accounting procedures to be prepared.
4. Section D requires procedures are adopted for accurate accounting and audit of revenues collected.
5. Section E requires Board approval of all disbursements, allows for administrative approval of certain claims.
6. Section F requires titles to be held in a central location, adopts capitalization thresholds, and allows for administrative disposition of assets under certain thresholds.
7. Section G requires preparation of a capital improvement plan.

8. Section H provides for administrative purchasing authority, the limits of which are unchanged from previous policy. Allows for purchase of specific items above administrative approval when the line item in the budget is specific (i.e. road salt line item can be administratively expended up to the budgeted amount). Provides for administrative discretion in spending above spending limits in certain exigent circumstances.
9. Section I provides for administrative contracting authority up to certain spending limits, and when the contract may be cancelled or does not exceed a budget year in duration.
10. Section J adopts fund balance goals for unrestricted fund balance of 42%, adopts GASB 54, and delegates authority to the County Administrator to assign fund balance.
11. Section K adopts an investment policy, assigns responsibility for investments to the County Treasurer.
12. Section L adopts a debt policy to provide guidance for the consideration of debt financing projects.
13. Section M modifies the existing credit and purchasing card policy to eliminate redundancy, streamline processes and align with these financial policies.

# ARTICLE IV ACCOUNTING, FINANCE AND PURCHASING

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Adopted:

## Section A. Accounting, Auditing and Financial Reporting

### Subd. (1) Accounting Practices

- (a) The County adopts the Minnesota County Financial and Reporting Standards (COFARS) developed by the Minnesota State Auditor's Office and such updates as may be adopted from time to time.
- (b) The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles applicable to state and local governments. The County's accounting and financial reporting policies and procedures will conform to these generally accepted accounting principles (GAAP). The County Administrator is responsible for adopting written procedures to ensure adherence to this section.
- (c) All county funds shall be accounted for on a cash basis.

### Subd. (2) Audit

- (a) Oversight of the annual audit shall be conducted by the Board Chair, County Administrator and County Auditor.
- (b) If applicable, the Board Chair, County Administrator, County Auditor and two staff assigned primary duties related to finance shall recommend an independent auditor to the County Board.
- (c) The County's auditor shall make an annual summary presentation of the County's annual audit to the County Board.

### Subd. (3) Financial Reporting

- (a) The County Administrator shall prepare or cause to be prepared reports that analyze and evaluate financial performance for presentation to the County Board on at least a quarterly basis.

## **Section B. Budget**

### **Subd. (1) Budgeting Approach**

- (a) The purpose of the annual budget is to set forth a plan for revenues and expenditures of the County for the coming fiscal year and to set authorized spending limits by department.
- (b) Revenues shall be estimated employing a conservative approach that is more likely to underestimate revenues than overestimate revenues.
- (c) Expenditures shall be estimated employing a conservative approach that is more likely to overestimate expenditures than underestimate expenditures.

### **Subd. (2) Budget Adoption Process**

- (a) In accordance with MN Statute 375a.06, the County Administrator is responsible for preparation of the annual budget and presentation to the County Board for approval.

### **Subd. (3) Budgeted Funds**

- (a) Budgets will be prepared and submitted for the approval of the County Board for all governmental funds, business-type funds and township funds under the County Board's authority.

### **Subd. (4) Budget Accounting Basis**

- (a) Budgets will be prepared using the cash plus encumbrances method.
- (b) A reconciliation will be prepared and included in the budget to project the actual financial position of the County at the end of the fiscal year.

### **Subd. (5) Budget Compliance**

- (a) All funds of the County are under the legal control of the County Board, unless this control is superseded by Statute, Rule or Federal Law; as such the County Board retains the authority to amend budgets at any time.
- (b) The County Administrator is responsible for monitoring expenditures and revenues, to ensure budget compliance and to report to the County Board on the status of the budget on at least a quarterly basis.
- (c) Department Heads are responsible for budgets assigned to them, and have the authority to expend funds and receipt revenue in accordance with applicable policies of the County Board.
- (d) Budget compliance is designated at the departmental level, in accordance with the approved budget and the County's financial record keeping system.

- (e) The authority to allocate or re-appropriate resources for full time staff, including salaries, benefits and other expenses is reserved by the County Board, such allocations and appropriations must be approved by the County Board.
- (f) The authority to allocate or re-appropriate resources for programs and services that may create long term fiscal or operational obligations is reserved by the County Board, such allocations and appropriations must be approved by the County Board.

Subd. (6) Budget Amendments

- (a) Budget amendments must be prepared and submitted to the County Board for approval when circumstances or priorities change during a fiscal year which will -modify the expenditures or revenues of a department by more than 1.5% or 10,000; whichever is greater
- (b) Budget amendments are not necessary when the net departmental budget will not be impacted unless the budget amendment would increase personnel spending for full time employees

**Section C. Change Funds**

Subd. (1) The County Board must approve all permanent change funds.

Subd. (2) The County Administrator may approve temporary change funds, in effect for less than 30 days, in amounts less than \$500.00.

Subd. (3) The County Administrator will ensure appropriate procedures are adopted and followed to ensure accurate accounting of change funds. The County Auditor is responsible for implementing change fund accounting procedures.

**Section D. Revenue and Collections**

Subd. (1) The County Administrator will ensure appropriate procedures are adopted and followed to ensure accurate accounting of revenues received in to the County. The County Auditor and County Treasurer are responsible for implementing accounting procedures.

**Section E. Disbursements**

Subd. (1) The County Board must approve all disbursements.

Subd. (2) When it is necessary to pay a claim before it is possible to obtain County Board approval, in accordance with MN Statute 375.18 the County Board delegates authority to the County Administrator and County Auditor to authorize payment of certain claims. The claim must be presented for approval to the County Board at the next County Board meeting.

**Section F. Fixed Assets**

Subd. (1) Ownership of Fixed Assets

(a) All assets of Aitkin County are under the final authority of the Aitkin County Board unless superseded by federal law, statute, rule or grant requirement.

(b) All assets of Aitkin County which are acquired by Aitkin County, for use by Aitkin County, following adoption of this policy shall be titled in the name of Aitkin County, without reference to a specific department. Reasonable efforts to change the titles of assets owned as of adoption of this policy shall be made to comply with this policy in a reasonable period of time.

(c) The titles of all assets acquired by Aitkin County, for use by Aitkin County shall be held in one office, as determined by the County Administrator.

Subd. (2) Criteria for Capitalization and Inventory

(a) The County adopts the MN State Auditor Guide to Local Government Capital Assets and such updates as might be adopted from time to time to guide capitalization and inventory of assets, unless otherwise superseded by this policy.

Capital Asset Type	Tracking and Inventory Threshold	Capitalize and Depreciate for Financial Reporting
Land	\$1	Capitalize only
Land Improvements	\$1	\$25,000
Building and Building Improvements	\$1	\$25,000
Building Improvements	\$1	\$25,000
Construction in Progress	\$1	Capitalize only
Machinery, Equipment and Vehicles	\$250	\$5,000
Infrastructure	\$25,000	\$50,000

Subd. (3) Transferring/Selling Assets between County Departments

- (a) Assets may be transferred between departments without County Board approval.
- (b) Unless there is a need because of a grant agreement or reimbursement requirement, no accounting journal entry or warrant needs to be made to transfer assets between county departments.

Subd. (4) Selling and Donating Assets

- (a) All proceeds from the sale of items by the County shall be receipted by the County, and accounted for in to the appropriate departmental budget.
- (b) Assets no longer needed by the County may be donated to a non-profit or governmental organization, sold or discarded.
- (c) Assets must be appropriately decommissioned before being donated, sold or discarded.
- (d) Unless federal law, statute, contract or agreement requires the approval of the County Board, the County Administrator may approve of selling or donating assets when the projected value is less than \$10,000. Department Heads may approve of selling or donating assets when the projected value is less than \$1,000.
- (e) Generally, departments seeking to donate or sell assets shall ask other departments if they have a need for that asset, if no other county department has a need then it is appropriate to donate or sell the asset.

(f) From time to time, the County will hold an auction to sell items the County no longer has a need for. The County Administrator and Department Heads are authorized to utilize on-line auction sites, government surplus sites or other methods that may increase the likelihood of sale or increase the sale price.

(g) Items that fail to sell on the county auction or on-line auction, have little to no monetary or utilitarian value may be disposed of appropriately.

### **Section G. Capital Improvement Plans**

Subd. (1) A capital improvement plan for a five year period will be submitted to the County Board for consideration and approval annually along with the annual budget.

Subd. (2) The capital improvement plan shall include at least all planned capital expenditures meeting the criteria of the fixed assets policy, for the next immediate fiscal year and a projection of planned expenditures for proceeding years.

Subd. (3) The capital improvement plan shall include at a minimum; a brief description of the expenditure, the department requesting, the projected amount, the funding source(s) and any necessary explanation of the need for the expenditure.

### **Section H. Purchasing**

Subd. (1) The County Administrator is authorized to make purchases on behalf of the County Board, without prior County Board approval when:

(a) The specific approval of the County Board is not required by federal law, statute, rule or other County Board policy; and

(b) The expense will not exceed the current budget; and

(c) The expense is less than \$10,000;

(d) The expense is within the budgeted amount of a specifically identified line item under the County Administrator's management.

Subd. (2) Department Heads are authorized to make purchases on behalf of the County Board, without prior County Board approval when:

(a) The specific approval of the County Board is not required by federal law, statute, rule or other County Board policy; and

(b) The expense will not exceed the current budget; and

(c) The expense is less than \$5,000;

- (d) The expense is within the budgeted amount of a specifically identified line item under the Department Head's management (i.e. Road salt and sand line item may be expended up to the budgeted amount without County Board approval).

Subd. (3) From time to time, opportunities may arise to manage the County's expenses down by taking immediate action on a purchase which exceeds the delegated authority of the County Administrator. In these rare circumstances, the County Administrator is authorized a reasonable amount of discretion to exceed the dollar limit in this policy when it is documented that waiting until the next County Board meeting to approve the purchase will likely cost the County a greater amount. In these circumstances, the Department Head requesting the purchase and the County Administrator should be in agreement, and the request shall be submitted to the County Board at the next regular County Board meeting.

### **Section I. Contracting**

Subd. (1) The combined signature of the County Board Chair and the County Board Clerk is the official signature of the County Board.

Subd. (2) The County Administrator is authorized to execute contracts on behalf of the County Board, without prior County Board approval when:

- (a) The specific approval of the County Board is not required by federal law, statute, rule or other County Board policy; and
- (b) The expense of the contract will not exceed the current budget; and
- (c) The expense of the contract is less than \$10,000; and
- (d) The contract does not bind the County for a period longer than the current fiscal year OR the contract contains a provision allowing at-will termination of the agreement with 30 days' notice or less.

Subd. (3) Department Heads are authorized to execute contracts on behalf of the County Board, without prior County Board approval when:

- (a) The specific approval of the County Board is not required by federal law, statute, rule or other County Board policy; and
- (b) The expense of the contract will not exceed the current budget; and
- (c) The expense of the contract is less than \$5,000; and
- (d) The contract does not bind the County for a period longer than the current fiscal year OR the contract contains a provision allowing at-will termination of the agreement with 30 days' notice or less.

**Section J. Fund Balance and Reserves**

Subd. (1) Fund Balance Policy

(a) The County aims to maintain a year end, unrestricted fund balance of at least 42% of the following year's budgeted expenditures on all governmental funds. For the purposes of this policy, the General Fund, HHS Fund and Highway Fund shall be combined; all other governmental funds shall be calculated separately.

Subd. (2) Designation of Fund Balance, GASB 54

(a) The County shall follow the MN State Auditor's Statement of Position on GASB 54 and such updates as may be made from time to time.

Classification	Definition	Examples
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact	<ul style="list-style-type: none"> <li>• Inventories,</li> <li>• Prepaid items,</li> <li>• Long-term receivables</li> </ul>
Restricted	Fund balance should be reported as restricted when constraints placed on the use of resources are either:  a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or  b. Imposed by law through constitutional provisions or enabling legislation	<ul style="list-style-type: none"> <li>• Restricted by state statute,</li> <li>• Unspent bond proceeds,</li> <li>• Grants earned but not spent,</li> <li>• Debt covenants,</li> <li>• Taxes dedicated to a specific purpose, and</li> <li>• Revenues restricted by enabling legislation</li> </ul>
Unrestricted - Committed	Used for specific purposes pursuant to constraints imposed by formal action of the government's highest	<ul style="list-style-type: none"> <li>• The governing board has decided to set aside \$1M for a road construction project.</li> <li>• Property tax levies set for a specific</li> </ul>

	level of decision-making authority	purpose by resolution
Unrestricted - Assigned	Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed	<ul style="list-style-type: none"> <li>• Governing board has set aside \$2 million for a county project and the county administrator may amend this up to \$100,000.</li> <li>• Governing body delegates the authority to assign fund balance to the finance officer.</li> <li>• Governing board has appropriated fund balance often to balance next year's budget.</li> <li>• Positive residual balances in governmental funds other than the general fund.</li> </ul>
Unrestricted Unassigned	Unassigned fund balance is the residual classification for the General Fund. This is fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other governmental funds would report deficit fund balances as unassigned	

(b) The County Administrator is delegated the authority to assign unrestricted fund balance for planning purposes, this authority does not grant authority to expend funds not budgeted by the County Board.

**Section K. Investments**

Subd. (1) This investment policy applies to activities of the County with regard to investing the financial assets of all funds maintained.

- (a) All cash and investments will be maintained in a single cash and investment pool, unless otherwise required by law, court order, or County Board directive.
- (b) Interest revenue and gains (or losses) on sales of investments will be retained in the general fund unless specifically designated otherwise by County Board resolution, state statute, grant regulation, or contract.
- (c) All revenues, expenditures, assets, and liabilities relating to securities lending transactions will be recorded in the general fund. Revenue gains (or losses) related to this investment of cash collateral will be retained in the general fund.

Subd. (2) The responsibility for conducting investment transactions involving public funds of the County resides with the County Treasurer. The County Treasurer is designated as investment officer and is responsible for investment decisions and activities, with the input of the County Board.

(a) No person may engage in an investment transaction except as provided under the terms of the investment policies and the procedures established by the County Treasurer or applicable State law or rule.

(b) The selection of banking services will be made by the County Treasurer.

Subd. (3) The County Treasurer shall maintain a system of internal controls for investments, which shall be documented in writing. The internal controls shall be reviewed by the State Auditor's Office. The controls shall be designed to avoid losses of County funds arising from fraud, employee error, and misrepresentations by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the County.

Subd. (4) The investment portfolio of the County shall be designed to meet the following objectives in the order of priority; preservation of capital; meeting cash flow needs of the County; maximization of yield.

Subd. (5) The financial assets of the county may be invested in those securities or other investments permitted pursuant to MN Statutes 118.A.

#### **Section L. Debt**

Subd. (1) The purpose of this policy is to guide consideration of debt and the proper use of debt to fund capital projects. The primary objective is to establish conditions for the use of debt and to create policies that minimize the County's debt service and issuance costs, retain the highest credit rating and maintain full and complete financial disclosure and reporting. There are no absolute rules or formulas in determining the level of County debt. Each situation requires a thorough review of the County's debt position, financial health and economic forecast.

Subd. (2) Acceptable purposes and conditions for use of debt:

(a) Estimated future revenue is sufficient to ensure the repayment of the debt obligation;

(b) Other financing options have been explored and are not viable for the timely or economic acquisition or completion of a capital project;

(c) Debt will not be used to fund ongoing operating expenses of the County except in the case of an extreme financial emergency which is beyond the County's control or reasonable ability to forecast;

(d) When non-recurring capital improvements are desired;

- (e) When it can be determined that future citizens will receive a benefit from the improvement and when the project's useful life, or the projected service life of the equipment, will be equal to or exceed the term of the financing;

Subd. (3) The County will consider issuing debt using only those instruments statutorily authorized by the State of Minnesota.

**Section M. Credit and Purchasing Cards**

Subd. (1) The purpose of this policy is to provide detailed information regarding the use of credit cards assigned to selected Aitkin County employees to purchase goods and services for Aitkin County.

- (a) This policy and procedure applies to all County divisions and agencies that have selected employees to use credit cards.
- (b) The County Administrator may delegate to other specific individuals the responsibility for the performance of some credit duties at a departmental level.
- (c) This policy is intended to accomplish the following:
  - (i) To ensure that credit cards are used in accordance with Aitkin County policies.
  - (ii) To ensure internal controls for authorized credit.
  - (iii) To ensure that the County bears no legal liability from inappropriate use.
  - (iv) To provide a convenient credit method and reduction of paperwork.
  - (v) To empower employees, increase productivity, flexibility, and efficiency.

Subd. (2) Credit Card Requirements

- (a) County employees who accept a county credit card are accepting the responsibility for maintaining security of the credit card and credit card number and following this policy. This includes being vigilant to protect the physical card, the credit card numbers and other identifying data, and promptly notifying the credit card issuer and County Auditor's office in the event of fraudulent or potentially fraudulent activity. The card holder is also responsible to ensure that goods and services purchased with the county credit card are received.
- (b) Each credit card issued will have "Aitkin County" and the individual cardholder's name embossed upon it.
- (c) The credit card vendor will have no individual cardholder information other than the County's mailing address; no personal credit records, social security numbers, or other personal information is maintained.
- (d) County issued credit cards shall be used for county business purposes only, and under the appropriate authority of this and other applicable policies.

Subd. (3) Credit Card Authorization

- (a) All transactions on the county credit card must be authorized by the individual to whom the credit card has been assigned.
- (b) Through the credit card issuer, the county will set the following purchase limits by default:
  - (i) Single daily purchase limit: \$999.99
  - (ii) 30 day purchase limit: \$5,000.00
- (c) Department heads may set lower limits for cardholders under their supervision.
- (d) From time to time, circumstances may arise where it is reasonable to make a purchase exceeding the single daily purchase limit or 30 day purchase limit. In these circumstances, the County Administrator may authorize a one-time adjustment to the purchase limits; provided the purchase is within the authority of the County Administrator under the general purchasing policy of Aitkin County.
- (e) Purchases with a county business purpose may be made with the credit card in person, via telephone or through a secure website. If you are unsure whether or not a website is secure, do not use the county credit card. The IT department will be able to assist you in determining if a website is secure.

Subd. (4) Documentation, Reconciliation, and Payment Procedures

- (a) Itemized documentation must be retained as proof of purchase whenever using the credit card. Receipts and vouchers must be provided to the Auditor's office within a reasonable period of time so payment may be made to avoid late fees, typically 10 business days.
- (b) If, for some reason, the cardholder is missing documentation of the transaction, they must attach an explanation that includes a description of the item, date of purchase, merchant's name, and the reason for missing documentation.
- (c) The department head must review all documentation and ensure that all purchases are valid and appropriate prior to approving the claims for payment.

Subd. (5) Requests for Credit Cards

- (a) The department head/manager and County Administrator must approve credit cards. The County Treasurer may authorize the credit card request in absence of the County Administrator.
- (b) The County Treasurer is responsible for establishing a form for the authorization to become a credit card holder. Completed forms must be submitted to the Treasurer's Office for processing.
- (c) Upon issuance of the credit card, the cardholder must sign their credit card.
- (d) Credit Cards will be delivered via US Mail directly by the card issuer. Lost/Stolen Credit Cards
- (e) Contact information of the credit card issuer will be provided to the cardholder.

Subd. (6) Disputes Regarding Credit Cards

- (a) Should any employee lose or have their credit card stolen, or if fraudulent activity is suspected it is their responsibility to immediately notify, within 24 hours, the credit card issuer and the County Treasurer's Office.
- (a) In case of a dispute with a vendor, the cardholder must complete, within five working days, a Cardholder Statement of Questioned/Disputed Item form.