

Itasca County, Minnesota
Draft GASB 34 Related Policies

The following policies (A. through M.) are presented and adopted 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 new Statement of Net Assets, Statement of Activities, and the reconciliation required under GASB 34 reporting standards.

A. Classification of Program Revenues Policy

Program revenues derive directly from the program (within a Functional Level) itself or from 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. Program revenues off-set the specific direct expense of the program. All other revenues – those not designated by rule, statute, or policy to a program or function - are considered General Revenues to the County.

B. 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 & Recreation
- Conservation of Natural Resources
- Economic Development

C. Policy to Determine the Current Portion of Compensated Absences

The liability for compensated absences to be reported in the financial statements consists of unpaid, accumulated annual, personal time off, and sick leave balances. The liability will be calculated using the vesting method, in which leave amounts for both employees who are 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 will be 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.

D. Use of Restricted Assets Policy

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.

E. Policy for Elimination of Internal Activity

Resources are often transferred from the Fund/Department/Program of receipt to a different Fund/Department/Program for disbursement. The internal activity of that transfer can result in the receipt and disbursement of that resource appearing more than one time in the resulting reports. Where internal activity has taken place, reports of the individual department will include all such internal activity; but when summary reports are prepared, up to and including the Government Wide reports, all material internal activity, except for transactions consider internal services provided and used, will be eliminated (or netted out) for the presentation.

(Example: A grant is receipted into Social Services program A. and subsequently transferred to program B. to provide services. The resources are recorded:

1. Receipt to program A.
2. Disbursement from program A.
3. Receipt to program B.
4. Disbursement from program B.

For Summary Reporting, items 2 and 3 would be eliminated.)

At times the County may charge departments for a share of "centralized" expenditures. When this occurs, the amount charged does not include an overhead charge, but contains only a fair value charge for the services received. Additionally these charge-backs reduce the expenditures of one County function and increase the expenditures of the other, negating the need for further elimination in the financial statements.

F. Policy for Applying FASB pronouncements to Business-type and proprietary funds

Business-type and proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Financial statements on these funds are based on all applicable GASB pronouncements as well as applicable FASB pronouncements dated on or before November 30, 1989. FASB pronouncements after this date are not considered.

G. Policy for Direct and Indirect Expenses

All expenses (including depreciation) that support a specific function (activity/department/program) are directly charged and reported against that function (activity/department/program).

Indirect expenses experienced by the County are allocated to the appropriated function at year end.

H. Policy for Classifying Proprietary Fund Revenues

Proprietary Fund Revenues are reported as either Operating or Non-Operating Revenues. Non-Operating revenues are: capital and related financing activities, non-capital financing activities, investment activities, tax revenues, and other items which are not received in exchange for goods and/or services provided by this business-type activity.

I. Policy for Identifying Special or Extraordinary Items

Items reported as Extraordinary Items are transactions that are both unusual in nature and infrequent in occurrence and are the result of events that may be beyond the control of County management.

Special Items are either unusual in nature or infrequent in occurrence and are under the control of County management.

J. 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 a 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.

K. Capital (Fixed) Assets Policy

Capital (Fixed) Assets of Proprietary (Business-type) Funds are reported within both the Proprietary Fund Statements and the Government Wide Statements. All other capital assets are considered General Capital (Fixed) Assets and are reported only in the Governmental Activities' portions of the Government Wide Statements.

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

Depreciation expense is 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:

<u>Class of Assets</u>	<u>Lowest Value Threshold</u>
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.

The County may record and report items of value less than the threshold where the majority of similar items are greater than the threshold and the exclusion of the few items of less value would distort the financial picture.

(Example: The County owns 5 computer servers; 4 valued at over the threshold and 1 valued at under the threshold. The 5th server may be reported as well.)

The acquisition of individual of items of office furniture and such, which are valued below this threshold, will not be reported. However, if the County acquires an office suite of furniture that exceeds the threshold; the suite will be reported, although the individual items may or may not be inventoried for control purposes. This approach will be followed for other classes of assets as well.

(Example: The County remodels the Assessor's, replacing all of the desks and files with matching cubicles, desks and files. The replacement was bid and installed as a unit. The unit may be reported as a single capital asset.)

Infrastructure

The County Infrastructure includes all roads, bridges, right of ways and other public facilities that have utility to the public through the County, but which are not Capital Assets that could be routinely sold to and used by private enterprise.

Infrastructure acquired after 1979 is valued and reported at the acquisition, construction or project cost as reported in the applicable road and bridge annual reports. If a road has not had work done on it since 1980, it is not reported. This includes most of the gravel roads within the county. Work done on gravel roads is generally considered to be maintenance.

County roads will be reported with a single value for the full length of the road, regardless of varying values and conditions of segments of the road.

Improvements to infrastructure will be recorded as new infrastructure assets, each with their own value and life. No change will be made to the value or depreciation of the original asset unless it is completely destroyed or replaced in the improvement process.

Ditches and drains are generally on private property and are not considered of Capital Asset value to the County.

ATV, snowmobile and other bridges and structures that are owned by the County but rest on private property are of reportable infrastructure value to the County if the County has maintenance and insurance responsibility for the structure.

Improvements

The application of resources to improve an existing Capital Asset will be considered a reportable Capital Asset Improvement if it:

Exceeds the value threshold,
Increases the capacity or efficiency of the original asset, or
Extends the life of the original asset.

Improvements are recorded, depreciated and reported.

Easements

Easements or right-of-ways exist when the County holds some permanent property rights to land. Recorded easements or right-of-ways for GASB 34 purposes must meet the stated threshold and are not depreciated. These costs are included with infrastructure, however are not depreciated.

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 and Equipment
- Construction in Progress

(Note: Park land will be recorded as land. Park buildings that meet the capital asset threshold will be recorded as buildings. Other park facilities may be summed together and recorded as Improvements, other than buildings. Parks are not considered infrastructure.)

Depreciation

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

Any depreciation 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.

(The County Highway Department also calculates depreciation expense for cost and reimbursement purposes. This depreciation expense for costing purposes may not be identical to the depreciation expense for GASB 34 reporting purposes.)

Useful Lives

The useful (or depreciation) lives of Capital Assets conform to this generalized table:

Land	Not depreciated.
Infrastructure	50 to 75 years
Buildings	15 to 40 years
Improvements, other than buildings	5 to 25 years
Machinery and Equipment	3 to 15 years
Construction in Progress	Not depreciated.

L. Budget Policy

Budget Adoption Process

The County Budget is adopted annually by the County Board and provides the authorization for departmental expenditures.

Once the Budget has been adopted by the County Board; any changes and adjustments to the Budget are approved by the County Board and appear in the appropriate County Board Meeting Minutes. These changes and adjustments are then made to the annual Revised Budget, leaving the Adopted Budget in its original approved form.

Budgeted Funds

The County prepares a budget for the General Revenue Fund, Certain Special Revenue Funds, Debt Service funds, and all Proprietary funds. The County does not prepare a budget for Fiduciary Funds.

Budget Accounting Basis

The Budget for the General Fund, Budgeted Special Revenue Funds and other governmental funds is prepared and reported on the modified accrual basis. The Budget for Proprietary funds is prepared and reported on the full accrual basis. All budgets are prepared in conformity with generally accepted accounting principles.

Budget Level for Legal Control

The legal level of budgetary control is the fund level. County department heads may make transfers of appropriations within a department or between departments and or funds with the County Auditor/Treasurer's approval.

M. Accounts Payable and Accounts Receivable Policy

Flagging a bill for a payable code or a receipt for a receivable code will be done if they are received within the first two months of the year. If an invoice or receipt comes in after the cut off date we will not flag it as a payable or receivable. We will however keep the invoice or receipt in a folder for the state auditors if it meets a threshold of \$10,000.

Approved and Adopted by the County Board.

Date _____

Signed _____

Board Approved: 12/21/04

RESOLUTION
OF THE
COUNTY BOARD OF COMMISSIONERS
ITASCA COUNTY, MINNESOTA

Adopted December 21, 2004

Commissioner Mandich moved the adoption of the following resolution:

Resolution No. 12-04-02 (Page 8 of 1)

DRAFT GASB 34 RELATED POLICIES

WHEREAS, there is a need to adopt policies in accordance with the requirements of the Governmental Accounting Standards Board (GASB) pronouncement 34 and later pronouncements, and

WHEREAS, an audit has been made to determine that the following GASB 34 policies need to be adopted,

NOW, THEREFORE, BE IT RESOLVED, that the following GASB 34 policies have been adopted in accordance with the requirements of GASB 34:

Commissioner McLynn seconded the motion for the adoption of the resolution and it was declared adopted upon the following vote:

Yeas <u> 4 </u>	Nays <u> 0 </u>	District #1	Absent	District #2	<u> Y </u>
Other <u> 1 </u>	(Absent)	District #3	<u> Y </u>	District #4	<u> Y </u>
		District #5	<u> Y </u>		

STATE OF MINNESOTA

Office of County Coordinator. ss.
County of Itasca

I, ROBERT R. OLSON, Coordinator of County of Itasca, do hereby certify that I have compared the foregoing with the original resolution filed in my office on the 21st day of December, 2004, and that the same is a true and correct copy of the whole thereof.

WITNESS MY HAND AND SEAL OF OFFICE at Grand Rapids, Minnesota, this 21st day of December, 2004.

County Coordinator

By _____ Deputy