

# **Itasca County Budget Policy**

## **Accounting System, Internal Control, and Budgetary Control**

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding effectiveness and efficiency of operations (including safeguarding of resources), reliability of financial reporting, and compliance with applicable laws and regulations. The concept of reasonable assurance recognizes that internal controls must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The evaluation of costs and benefits require estimates and judgment by management.

We believe the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper authorization and recording of financial transactions. The County's system of internal controls is supported by written policies and procedures and is continually reviewed, evaluated, and modified to meet current needs.

Itasca County uses the cash basis of accounting for internal accounting. Under the cash basis of accounting, revenues are recognized when payments are received and expenditures are recorded when paid. For external financial statement reporting, the Accounting Manager adjusts the cash basis records to modified accrual accounting for governmental funds and to accrual accounting for the government-wide financial statements, proprietary funds, and fiduciary funds.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measureable and available. Itasca 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. 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.

Under 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.

The annual budget serves as the foundation for Itasca County's financial planning and control. The formal budgeting process provides the primary mechanism by which key decisions are made regarding the levels and types of services to be provided, given the anticipated level of available resources. The budget process integrates and authorizes, for a given year, the decision of the Board of Commissioners. Itasca County uses the cash basis of accounting for budgeting purposes. The legal level of budgetary control is to be maintained at the department level, and further monitored within each department. The following funds are required to be budgeted: General Fund, Road & Bridge Fund, Human Services Fund, Itasca Medical Fund, Solid Waste Fund, Capital Improvement Fund, Capital Projects Fund, Forest Resources Fund, Risk Management Fund, and Nursing Home Fund.

The proposed budgets are presented to the County Board for review. The County Board holds public hearings and a preliminary budget and final budget are adopted in accordance with M.S. 275.065, Subd. 1; and M.S. 275.07, Subd. 1.

Within the County's financial system, the Auditor/Treasurer department maintains an integrated electronic budgetary control system to ensure adherence to the budget. Monthly accounting reports are prepared and distributed to department heads, comparing actual revenues and expenditures to budgeted amounts. Each department head is responsible for monitoring their monthly budget information.

### **Budget Process**

Around May of each year, the County Auditor/Treasurer department distributes a budget preparation worksheet to each of the County's departments. The worksheet is generated based off data from the Auditor/Treasurer department. The worksheet contains prior years of actual information, prior year's budget, current year's actual year to date, and a blank column for the respective department head to enter the proposed budget figures. Along with the worksheet, the County Auditor/Treasurer issues an introductory letter to the department heads which sets out parameters for budget preparation. If levy limits are in place, these would be discussed in the letter. Included in the budget worksheets are salary and benefit amounts. The Auditor/Treasurer department costs out the salary and estimates benefit costs of the current departmental employees. Current contract rates are used if they have been approved and estimated pay rates are used if the County is still in negotiations. Each department head is requested to complete their budget worksheet using budgeted revenues and expenditures and submit the completed budget request forms to the Auditor/Treasurer office in June. If a department wishes to make staffing changes, they work with the Auditor/Treasurer department to cost out the staffing requests. These are shown separately on the budget worksheet so the County Board can make a decision about whether to approve the requested changes. The Auditor/Treasurer department works with the Human Resources department to ensure the listing of positions is complete.

The Auditor/Treasurer department receives the budget worksheets back from the department heads, combines them into one consolidated spreadsheet, and enters the data into the County's financial system. The net expense column on the budget shows the amount that must be funded through the tax levy.

In August/September, the County Board holds budget sessions with the department heads. The Auditor/Treasurer department distributes budget books for each Commissioner and extra copies available for public viewing, if needed. At the budget sessions, the County Board determines actual departmental needs and, if necessary, discusses expenditure cuts in order to meet levy limits or to reduce the tax levy. Budget meetings are public, and the Auditor/Treasurer department records the meetings and takes minutes. Any changes made during the budget session are tracked by the Auditor/Treasurer department to keep track of what the levy increase percentage is.

On or before the deadline as set by M.S. 275.065, Subd. 1, the County Board approves the preliminary budget and levy. The preliminary budget is entered into the County's financial system by the

Auditor/Treasurer Department. Health and Human Services accounting department enters their portion of the budget into IFS.

Budget meetings continue to be held by the County Board after the preliminary budget is set if the Board desires to reduce the preliminary budget or if there are unresolved budget issues.

When the final budget has been approved, it is entered into the County's financial system as the FINAL budget. The budget is locked and does not get changed in the financial system. Amendments to the budget are made only after review by the County Auditor/Treasurer and approval by the County Board.

### **Budget Monitoring**

Budget to actual reports are sent to department heads on a monthly basis. Department heads are responsible for monitoring their budgets. The County Board also receives budget to actual reports monthly. The Auditor/Treasurer office holds quarterly budget meetings to review budget to actual results with department heads and commissioners.

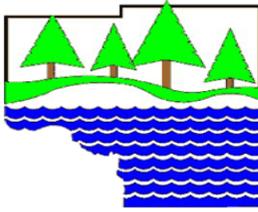
### **Budget Amendments**

Budget amendments over \$250,000 or 10% must go before the County Board for approval. In situations where the department head gets expenditure authority to buy something that was not in their budget, but the purchase of the item does not cause them to go over their overall budget, the budget is not amended. Only County Board approved budget amendments are entered into IFSpi. A report can be run out of the County's financial system that tracks the original budget and any changes to the budget.

### **Deviations from Budget**

The level of budgetary control is to be maintained at the departmental level. Therefore, deviations on individual lines items within a budget do not require approval from the County Board, so long as they do not cause the department to exceed their total expenditure budget. However, expenditure deviations that cause the departmental budget (in total) to exceed the total expenditure budgeted amount by \$250,000 or 10% (whichever is less) must be presented to the County Board to obtain approval for a budget amendment. The exception to this rule is if there is a revenue offset to the expenditure deviation.

Board approval: Original; 4/26/2016



**ITASCA COUNTY  
BOARD OF COMMISSIONERS**  
Itasca County Courthouse  
123 NE 4th Street  
Grand Rapids, MN 55744

April 26, 2016  
Regular Meeting

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**REQUEST FOR BOARD ACTION RBA-2016-110**

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**DEPARTMENT:** Auditor/Treasurer

**PRESENTER:** Jeff Walker/Jenni Johnson

**TIME REQUIRED:** 5 minutes

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**AGENDA ITEM:**

Change to Budget Policy

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**BOARD ACTION REQUESTED:**

Approve the revised language regarding the Itasca County Budget Policy.

**BACKGROUND:**

Itasca County previously had a budget policy. However, the budget policy was lacking information such as which funds are required to be budgeted, the budgetary basis, and the legal level of control over the budget. In addition, the previous budget policy was updated to reflect changes in the budget process that have occurred over time, as well as add language regarding budget monitoring, budget amendments, and deviations from budget.

3/16/2016 - "The exception to this rule is if there is a revenue offset to the expenditure deviation." was added to the end of the document per the request of Auditor/Treasurer Walker and Accounting Manager Jenni Johnson.

4/4/16 - Changes to make job titles, accounting system, etc. More generic to facilitate long term use of document.

**ITEM HISTORY:**

History:

03/15/16	COUNTY BOARD	RECOMMENDED FOR CONSENT	
	NEXT: 03/22/16		
03/22/16	COUNTY BOARD	REFERRED	NEXT: 04/05/16
04/05/16	COUNTY BOARD	RECOMMENDED FOR CONSENT	
	NEXT: 04/12/16		

Accounting Manager Jenni Johnson and County Auditor/Treasurer Jeff Walker provided information regarding the request to approve the revised language regarding the Itasca County Budget Policy.

04/12/16	County Board	REFERRED	Next: 04/19/16
04/19/16	County Board	RECOMMENDED FOR CONSENT	
	Next: 04/26/16		

Auditor/Treasurer Jeff Walker provided information regarding the request to approve the revised language regarding the Itasca County Budget Policy.

**COUNTY ATTORNEY REVIEW:**

**SUPPORTING DOCUMENTATION:**

- Itasca County Budget Policy (DOCX)

**RESULT: ADOPTED BY CONSENT VOTE [UNANIMOUS]**

**MOVER:** Mark Mandich, District #5

**SECONDER:** Leo Trunt, District #3

**AYES:** Tinquist, Snyder, Trunt, Eichorn, Mandich