

# **Minnesota County Financial & Accounting Reporting Standards (COFARS)**



**March 2004**

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**Minnesota County Financial Accounting & Reporting Standards**

**SECTION 1000**

**INTRODUCTION**

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Objectives

The primary objective of developing standard procedures and classifying accounts is to provide a means for accumulating financial information which will be uniform for all counties, regardless of their size or varying approaches to budgeting and accounting that may be in use. The accounts are also provided to guide in preparing financial reports required by statute and in preparing management reports on county government performance.

Minnesota statutes identify certain requirements for the accounts and records of counties. In particular, Minn. Stat. § 6.47 states, in part:

The state auditor shall inquire into the accounting and budgeting systems of all local units of government and shall prescribe suitable systems of accounts and budgeting, and forms, books, and instructions concerning the same.

In addition, Minn. Stat. § 6.48 states, “the state auditor shall prescribe and install systems of accounts and financial reports that shall be uniform, so far as practicable, for the same class of [county] offices.”

Elected officials, accounting system users, the public, and state and federal agencies can use the Uniform Chart of Accounts to understand similar transactions in the same manner, but still allowing information necessary for the selectivity and level of detail needed by the respective interested parties.

This County Financial Accounting and Reporting Standards (COFARS) manual is made up of the following sections:

- N Introduction - This section identifies the objectives of COFARS and how to use the manual.
- N Administrative Overview - This section describes the benefits and uses of the COFARS manual.
- N Standard Procedures - In this section are the significant general practices affecting accounting, reporting, and budgeting for Minnesota counties.
- N Specific Practices - This section addresses the key specific accounting, financial reporting, budgeting, and other practices that should be used by Minnesota counties.

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- N Uniform Chart of Accounts - Standard accounts for maintaining the financial records of counties and recording transactions.
- N Program and Service Dimensions - Guidance on classifying key programs and services provided by Minnesota counties.
- N Highway Cost Accounting - General overview of the State Aid Accounting Manual for highway accounting.
- N Glossary - Definitions for key governmental accounting and auditing terms.

COFARS was designed to serve the basic legislative, budgetary, and accounting needs of counties, and was developed with the active participation of a representative number of concerned users of county financial data.

This Uniform Chart of Accounts and associated procedures manual can aid in accomplishing a number of other subordinate objectives which may benefit Minnesota counties in varying degrees:

- N It can aid in making available accurate and comparable financial data to all who provide the county with the revenues to deliver planned services--local taxpayers, the state legislature, and state and federal agencies.
- N It can aid in meeting adequate and desirable financial disclosure requirements of the accounting profession (the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, and the Financial Accounting Standards Board). It also provides management information to understand and control operations.
- N The procedures manual and narrative which accompanies the Uniform Chart of Accounts can serve as guidelines. Specific sections of the manual clarify reporting requirements, desirable accounting conventions, and provide for orderly updating and modification of the accounts, as needed.
- N The manual can serve as a training guide to instruct, inform, and improve the level of governmental accounting knowledge. It can be used as a teaching aid and reference for the accounting staff who will require it in their daily work with budget and statement preparation.

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- N County commissioners and administrators can use the procedures manual to gain further background and thereby provide better fiscal management guidance. Ultimately, operations under their responsibility can be better evaluated by comparing plans against performance, whether they are single minor programs or annual county budgets.
  
- N In conjunction with this manual, counties can utilize the Counties Manual Accounting Procedures (COMAP) manual. COMAP illustrates appropriate methodology for the array of functions with which a county is involved. This is useful whether a county is accounting manually or is automated.<sup>1</sup>

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<sup>1</sup>The Office of the State Auditor will look into the need for updating COMAP in the future.

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This manual is divided into three basic sections, each with its own related segments. These sections are:

- N Standard accounting, reporting, and budgeting procedures to be used by counties. (Section 3000)
- N Recommended practices to assist counties in implementing the standard procedures. (Section 4000)
- N Recommended standard chart of accounts to be used by counties. (Sections 5000 and 6000)

Additionally, Section 7000 describes the accounting manual developed to address the county highway cost accounting needs. Finally, a glossary (Section 8000) has been prepared to assist in the understanding of technical accounting terms.

The manual is in loose-leaf format and indexed so that it may be appropriately updated from time to time as additional material is developed or when changes are implemented.

Training materials to supplement the text of this manual can be found in the Counties Manual Accounting Procedures (COMAP). Complete understanding of the recommended procedures will help counties make appropriate accounting system changes and assist them in conforming with the accepted standards. (Note: Currently, there are no plans to update COMAP.)

The following is an introduction to the various sections of this manual:

N Standard Procedures (Section 3000)

These are the standards toward which all counties should strive. This section is the most technical, because it describes the rules of governmental accounting and financial reporting as prescribed by the experts in the field. A county should review the various accounting, budgetary, and reporting segments and compare them with their present methods to determine necessary or desirable changes.

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**N**    Specific Practices (Section 4000)

The segments in this section provide some basic accounting background. They also describe how counties can implement practices in accounting, budgeting, reporting, and cash management which will assist them in achieving the standards.

Appropriate county personnel should review each of the segments within this section and relate them to the present methodology used in their county. A program should then be developed to modify present county practices to agree with those described in this section.

**N**    Uniform Chart of Accounts (Sections 5000 and 6000)

These sections describe the accounting dimensions (e.g., fund, department, object) that counties should use for their basic and special accounting needs. This chart of accounts has been reviewed by various state agencies in terms of their reporting requirements and by the State Auditor in terms of meeting accounting and fiscal reporting standards.

Consequently, counties should become familiar with the dimensions and their related categories of accounts. By maintaining their accounts as described in this manual, counties will be able to develop the reports for annual financial and interim management reporting.

**N**    Highway Cost Accounting (Section 7000)

This section gives an overview of the cost accounting requirements used by Minnesota counties for maintaining their highway cost accounting systems and how to obtain the State Aid Accounting Manual.

**SECTION 2000**

**ADMINISTRATIVE OVERVIEW**

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This manual was primarily developed as a reference document for Minnesota counties' financial personnel. However, it also has value for managers and administrators of county operations to help them recognize the accounting, budgeting, and reporting requirements, and why certain financial practices and procedures make good management policy.

Further, this manual presents a recommended "program oriented" chart of accounts with related procedures to be used by Minnesota counties. Basic dimensions presently used by most counties have been retained and standardized within this total structure.

The two additional dimensions that have been added (programs and services) enable counties to account for logical areas within the various departments. This gives users of these dimensions the ability to account and/or budget at a level where additional accountability and management information is desired.

This budgeting and accounting approach becomes more meaningful when administrators reflect upon the mission of a county. Except for collecting property taxes, licenses, and fees, counties exist to provide certain services. Building and maintaining roads, recording deeds, and performing welfare services are all legitimate and needed "outputs" of county operations. Program-oriented accounting can help county administrators focus on the results of services by providing accounting and budgeting information arrayed for meaningful decision making.

As indicated earlier, the present methods of county budgeting and accounting focus primarily upon the "input" needs of a county to operate for another year. The typical questions asked in this process relate to:

- N How many staff are needed?
- N How many contracted services are needed?
- N How many supplies and materials are needed?
- N How much funding is needed for debt service and retirement?

While these are legitimate questions, they become much more meaningful when they are asked within the context of the services that a county is obliged to deliver.

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For example, if the county board attempts to assess the staffing needs for the coming year of any of its departments, only in terms of the staff utilized in the present year, it becomes difficult to determine which areas need more people and which areas could do with less.

However, as counties start viewing each function in terms of the services performed, and when during the year these services are performed, staff allocation can become a more rational and meaningful process. Furthermore, because the public has been demanding increased governmental accountability regarding spending, it becomes even more important that administrators utilize an accounting approach wherein they can acquire the necessary fiscal information which will allow them to make the best decisions possible.

With this in mind, an expanded chart of accounts has been provided that will give counties additional informational capabilities.

With traditional county accounting dimensions, administrators and commissioners may sometimes be handicapped in their decision making processes. Decisions related to the effectiveness and value of various programs within a county may be difficult to make because sufficient cost information is not available without maintaining elaborate subsidiary accounts. Further, it can often be difficult to forecast the areas where program-related questions may arise so that subsidiary accounts often have not been set up to record the data.

With increased demands upon all governmental entities to “hold the line” as far as costs are concerned and, at the same time to maintain reasonable levels of service, it is paramount that county administrators have all the needed decision making fiscal information that can readily be made available to them.

Additionally, by having fiscal information reported at a program or service level, administrators can often better relate budgets against planned accomplishments and thereby develop a greater level of accountability throughout the county.

Further, it will be important for counties to distinguish between mandatory accounting, reporting, and budgeting practices and those that are desirable but not mandatory. To highlight the mandatory procedures the work must have been used where practices are mandatory. Additionally, the procedures have been divided into specific subject areas for ready reference regarding specific issues and procedures.

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The advantages to Minnesota counties using this approach are summarized as follows:

**N** Internal Advantages

- Greater accountability.
- Greater utilization of limited resources.
- Better fiscal controls.
- Upgrading of accounting personnel through training.
- Better management information.
- Less disruptive audit processes.
- Other governmental reporting is often a by-product of internal county accounting.

**N** External Advantages

- Data to state agencies and the legislature is more meaningful.
- When additional data is requested from counties, the impact of these requests is better recognized by state agencies.
- When on automated systems, some state agencies accept computer output for reporting purposes.

**N** Other Advantages

- Standardization allows for multiple county use of automated systems that are developed within the framework of the Uniform Chart of Accounts.
- Comparison of program costs between counties is more reliable.

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**SECTION 3000**

**STANDARD PROCEDURES**

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SUBJECT:

General Overview

This section addresses the specific accounting, reporting, and budgeting conventions that Minnesota counties should use. It details the mandatory procedures for all counties and those that, while not mandatory, are desirable practices which counties should adopt.

COFARS addresses generally accepted accounting principles for local government. It has modified suggested implementation of these principles to allow counties to account during the year on a cash basis and convert to the modified accrual basis and accrual basis for year-end reporting.

Since the time when the original COFARS manual was released, Minnesota counties have generally modified their accounting methods to conform to the mandatory procedures. This issue of COFARS is based on the new governmental financial reporting model established by the Governmental Accounting Standards Board in Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*.

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SUBJECT:

Internal Control

PURPOSE:

This section contains the internal control standards to be followed by counties in establishing and maintaining systems of internal control.

PRINCIPLES:

Internal control systems are to reasonably ensure that the following objectives are achieved:

- C Expenditures and commitments comply with applicable law.
- C Assets are safeguarded against waste, loss, unauthorized use, and misappropriation.
- C Transactions are recorded properly so that reliable financial and statistical reports can be prepared and accountability for assets is maintained.

The following concept of internal control is useful in understanding and applying the internal control standards set forth and discussed on succeeding pages:

An internal control system consists of the plan of organization and methods and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in financial statements.

The ultimate responsibility for good internal controls rests with management. Internal controls should not be looked upon as separate, specialized systems. Rather, they should be recognized as an integral part of each system that management uses to regulate and guide its operations. In order to ensure the proper conduct of government business, management must periodically review its internal control systems. This review should be sufficient in scope to provide the answers to several basic questions:

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- C Are the systems we have in place adequate to manage and account for our resources, meet our goals and objectives, and ensure compliance with state and federal regulations?
- C Is there an audit trail from our reports to our source documents, or will we have to rely on someone to “remember” the facts?
- C Are all our departments properly using the systems we have in place, and are they complying with our internal policies and procedures?
- C Have we strengthened our system of internal control by segregating duties among our employees to provide cross-checks and by providing for the physical security of our assets (e.g., official prenumbered receipts, locking cash drawers, regular inventories, etc.) to the maximum extent practicable?

These are the broad questions your auditor will also seek to answer through the course of his or her audit. If you are satisfied with the results of your review, then there is a much greater likelihood that your auditor will also be satisfied. If you identify problem areas, then you have an opportunity to discuss them with your auditor and to correct them before the auditor is obliged to comment on the problems in his or her report.

SUBJECT:

Internal Control Structure

PRINCIPLES:

This section provides guidance on internal control policies that are based on the 1994 report issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and standards adopted by the American Institute of Certified Public Accountants and the Federal Office of Management and Budget.

Internal control is defined in the COSO report as follows:

Internal control is a process affected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

*What does this mean for counties?*

Internal control is a management process for keeping an entity on course in achieving its business objectives as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss, and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statements and other reports; and resource use is consistent with laws, regulations, and policies.

**Basic Internal Control Requirements**

Each county is responsible for establishing and maintaining a collective system of internal control throughout their government.

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An internal control system should provide *reasonable assurance* that an entity will accomplish its objectives. The concept of reasonable assurance recognizes that the cost of an internal control activity should not exceed the benefit derived from it. Reasonable assurance equates to a satisfactory level of confidence given considerations of costs, benefits, and risks.

The county's management must identify and analyze their own risks to determine how those risks should be managed. Management defines the level of risk that the entity is willing to accept and strives to maintain risks within those levels.

Each entity should adopt methods to assess risk and review control activities. The methods developed should address each entity's own specific needs.

### **Components of Internal Controls**

The five components of good internal controls within a management control system are:

1. **Control Environment** - The control environment sets the tone of an entity. It influences the control consciousness of its people and it is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values, and competence of the entity's staff; management's philosophy and operating style; the way management assigns authority and responsibility; the way management organizes and develops its staff; and the attention and direction provided by the board.
2. **Risk Assessment** - Every entity faces a variety of risks from external and internal sources, all of which must be assessed. Risk assessment is the identification and analysis of relevant risks to achieving the objectives and forms a basis for determining how risks should be managed. Because economic, regulatory, and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.

3. **Control Activities** - Control activities are the internal policies and procedures that help ensure management directives are carried out. They help ensure necessary actions are taken to address risks to achieving the government's objectives. Control activities occur throughout the organization at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, review of operating performance, security of assets, and segregation of duties.
  
4. **Information and Communication** - Pertinent information must be identified, captured, and communicated in a form and time frame that enables people to carry out their responsibilities. Information systems produce reports containing operational, financial, and compliance-related information, making it possible to run and control the entity.  
  
Effective communication is also essential with external parties, such as taxpayers, vendors, legislators, and other interested parties.
  
5. **Monitoring** - Management systems and internal activities need to be monitored to assess the quality of their performance over time. Assessment is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two. Ongoing monitoring occurs in the course of operations, including regular management and supervisory activities and other action personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Deficiencies should be reported upstream, with serious matters reported to top management.

### **Common Questions About Internal Control**

#### *What is a risk assessment?*

A risk assessment is an ongoing process to identify, analyze, and manage risk. An entity needs a plan to identify both external and internal risks. The plan will help management understand how those risks affect their activities, assess their significance, manage their effect, and provide for continuous monitoring. The following are some examples of external and internal risks:

- C External risks arise from activities outside the entity. Technological developments, changing public expectations, legislative directives, natural catastrophes, and economic changes all have the potential for creating external risks in an entity.
- C Internal risks are less predictable and arise from activities inside the entity. Disruption of the computer systems or telephone systems causes obvious operational problems. When new managers are hired, changes in management style can affect internal control objectives.

*How do you identify risk?*

Identification of risks can start from existing systems. The budget process, audits, strategic planning, and other chapters included in this manual all provide opportunities for managers to conduct quantitative and qualitative reviews and to identify and prioritize. More informal opportunities include management planning meetings, meetings with an auditor, and everyday interaction with staff.

More important than the specific method used to identify risks is management's careful consideration of factors unique to the entity. Some key factors, such as an entity's past experience in failing to meet objectives, staff quality, statutory framework, or the significance and complexity of activities in relation to the entity's mission, should receive management's careful consideration.

By analyzing organizational activities, managers apply risk assessment to functions. Successfully managing risk at the activity level is vital to maintaining an acceptable level of risk for the organization.

*What is risk analysis?*

Risk analysis involves a careful, rational process of estimating the significance of a risk, assessing the likelihood of its occurrence, and considering what actions and controls need to be taken to manage it. Risk analysis also involves estimating the cost to the entity if something does go wrong. That analysis is based on the entity's assumptions about the risk and costs associated with reducing it. Sometimes an actual risk may appear to require one set of actions, but the perceived risk, coupled with media reaction to that risk, requires a more expensive set of actions.

It is also important to recognize the distinction between risk assessment (a part of a management control system) and actually managing risk (part of an organization's operations). Limitations on resources will define the level to which risks can be managed.

*How do you control or minimize risk?*

The control of risk starts with management deciding on the actions necessary to reduce the potential occurrence and significance of loss and the monitoring conditions needed to remain aware of changing circumstances. Management tools for an early warning system include information systems and ensuring appropriate data is captured, processed, and reported.

If an entity builds its components of a management control system into its planning efforts, as well as its daily activities, it is more likely to avoid unnecessary costs, make quick responses as needs arise, and adapt to decreasing resources and changing political and economic climates.

*Do control activities increase staffing requirements?*

Although control activity procedures are not intended to increase staffing levels, acceptable procedures are to be established and followed which may require changes in existing workloads and/or additional staff position(s). However, a periodic thorough internal review of control activities may identify policies and procedures that are no longer required. It is recognized that some small to medium entities may not be able to institute internal controls on the same level as larger, more complex entities. In those cases where staffing may prohibit or restrict the appropriate segregation of duties, management must either have more active oversight of operations or utilize personnel from other organizational units to the extent possible as compensating controls.

### **More About Control Activities**

The control activities presented in this section are intended to provide management and other staff with an overview on the use and potential limitations of control activities to manage the risk of achieving the entity's objectives.

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to the achievement of an entity's objectives. Control activities occur throughout the entity at all levels and in all functions.

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Control activities are actions taken to minimize risk. The need for a control activity is established in the risk assessment process. When the assessment has identified a significant risk to the achievement of an objective, a corresponding control activity should be determined. If control activities are in place for each significant operation, and if management makes sure those activities are carried out properly, staff can be reasonably confident the management control system will provide the necessary assurances.

Control activities and procedures should be considered to ensure the entity is in compliance with contracts, agreements, laws, and regulations applicable to counties. Generally, those activities and procedures may be categorized into one of the following areas and completed by personnel at various levels:

- **Top-level performance reviews** - Performance reviews should be made of actual performance versus budgets, forecasts, and performance in prior periods. Major initiatives should be tracked and management actions taken to analyze and follow up where appropriate.
- **Direct functional or activity management reviews** - Performance reviews should be made of specific functions or activities. The reviews may focus on compliance, financial, or operational issues.
- **Informational processing** - A variety of control activities should be performed to check the accuracy and completeness of information as well as the authorization of transactions. Development of new systems and changes to existing ones should be controlled. Additionally, access to programs and data should be restricted.
- **Physical controls** - Equipment, inventories, cash, and other assets should be secured physically and periodically counted and compared with amounts shown on control records.
- **Performance indicators** - Certain operating results can be anticipated. By investigating unexpected results or unusual trends, circumstances that jeopardize the achievement of objectives can be identified.

- **Segregation of duties** - Duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions. For example, responsibilities for authorizing transactions, recording them, and handling the related assets should be separated.

*What are some potential limitations of control activities?*

Control activities, no matter how well designed and executed, can provide only reasonable assurance regarding achievement of objectives. The likelihood of achievement is affected by limitations inherent in all control systems. These limitations include the following:

- **Judgment** - The effectiveness of controls will be limited by the fact that decisions must be made with human judgment in the time available, based on information at hand, and under the pressures to conduct business.
- **Breakdowns** - Even if control activities are well designed, they can break down. Personnel may misunderstand instructions or simply make mistakes. Errors may also stem from new technology and the complexity of computerized information systems.
- **Management override** - Even in effectively controlled organizations, high level personnel may be able to override prescribed policies or procedures for personal gain or advantage. This should not be confused with management intervention, which represents management actions to depart from prescribed policies or procedures for legitimate purposes.
- **Collusion** - Complicity between two or more individuals can result in control failures. Individuals acting collectively often can alter financial data or other management information in a manner that cannot be identified by the control system.
- **Cost vs. benefit** - In determining whether a particular control activity should be established, the risk of failure and the potential effect must be considered along with the cost of establishing the control. Excessive control is costly and counterproductive. Too little control presents undue risk. Entities should make a conscious effort to strike an appropriate balance.

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SUBJECT:

Accounting Principles

PURPOSE:

To interpret basic generally accepted accounting principles for counties.

PRINCIPLES:

Basic principles of accounting and financial reporting are based on those set forth in the Governmental Accounting Standards Board's (GASB) *Codification of Accounting and Financial Reporting Standards* (COFARS). COFARS requires Minnesota counties to account and report in conformity with these principles, except that the annual report required is not as extensive as the Comprehensive Annual Financial Report (CAFR). Most of these principles are restated in detail in other portions of this section which deal with specific issues.

1. A county accounting system must make it possible to:
  - a. Present fairly and with full disclosure the financial position and results of financial operations of the funds of the county in conformity with generally accepted accounting principles.
  - b. Determine and demonstrate compliance with finance-related legal and contractual provisions.
  - c. Demonstrate compliance with state and federal grants and regulations.
2. A county accounting system must be organized and operated on a fund basis with specific types of funds to be used (see Fund Accounting procedures, Section 3220). Fund financial statements should be used to report detailed information about the primary government and its blended component units. The focus of governmental and proprietary fund financial statements is on the major funds.

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Counties should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established. Funds accounted for in the financial records may be combined for financial statement purposes.

3. A clear distinction should be made between general capital assets and capital assets of proprietary and fiduciary funds. Capital assets of proprietary funds should be reported in both the government-wide and fund financial statements. Capital assets of fiduciary funds should be reported only in the statement of fiduciary net assets. All other capital assets of the county are general capital assets. They should not be reported as assets of governmental funds but should be reported in the governmental activities column in the government-wide statement of net assets.
4. Capital assets should be reported at historical or estimated historical cost. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Donated capital assets should be reported at their estimated fair value at the time of acquisition, plus ancillary charges, if any.

Capital assets should be depreciated over their estimated useful lives unless they are either inexhaustible or are infrastructure assets using the modified approach. Inexhaustible assets, such as land and land improvements, should not be depreciated. Depreciation expense should be reported in the government-wide statement of activities; the proprietary fund statement of revenues, expenses, and changes in fund net assets; and the statement of changes in fiduciary net assets.

5. A clear distinction should be made between fund long-term liabilities and general long-term liabilities. Long-term liabilities directly related to and expected to be paid from proprietary funds should be reported in the proprietary fund statement of net assets and in the government-wide statement of net assets. Long-term liabilities directly related to and expected to be paid from fiduciary funds should be reported in the statement of fiduciary net assets. All other unmatured general long-term liabilities of the county should not be reported in the governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets.

A distinction should be made between general long-term liabilities that relate to capital assets and those that do not. The net assets (equity section) in the government-wide statement of net assets reports capital assets net of related debt.

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6. The government-wide statement of net assets and statement of activities should be prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Revenues, expenses, assets, and liabilities resulting from nonexchange transactions should be recognized in accordance with GASB Statements 24 and 33. (See Section 3240.)
  
7. In fund financial statements, the modified accrual or accrual basis of accounting, as appropriate, should be used in measuring financial position and operating results. The conversion from cash accounting to accrual accounting for year-end reporting is mandatory. However, all counties may use an accrual accounting system on an ongoing basis, but it is not generally recommended.
  - a. Financial statements for governmental funds should be presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues should be recognized in the accounting period in which they become available and measurable. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term liabilities, which should be recognized when due.
  - b. Proprietary fund statements of net assets and revenues, expenses, and changes in fund net assets should be presented using the economic resources measurement focus and the accrual basis of accounting.
  - c. Financial statements of fiduciary funds should be reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment health care plans.
  - d. Transfers should be recognized in the accounting period in which the interfund receivable and payable arise.

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8. An annual budget should be adopted by every county.
  - a. The accounting system should provide the basis for appropriate budgetary control.
  - b. Budgetary comparisons should be included in required supplementary information for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule should present: (1) the original budget; (2) the final appropriated budgets for the year; and (3) the actual inflows, outflows, and balances stated on the county's budgetary basis.

Written policies and procedures need to be adopted to define the budget practices of the county. The policies should include the basis for the budget (that is, cash, modified accrual, accrual, or other). The procedures for maintaining these budgetary standards are outlined in Sections 3410 and 3420 entitled *Minimum Budgeting and Suggested Budgeting*.

9. Interfund transfers should be classified separately from fund revenues and expenditures or expenses in the basic financial statements. Proceeds from long-term debt issues should be classified separately from revenues and expenditures in the governmental fund financial statements.
  - a. Governmental fund revenues should be classified by fund and source.
  - b. Governmental fund expenditures should be classified by fund, department, program, and service, where applicable, and principal classes of objects.
  - c. Proprietary fund revenues should be reported by major sources, and expenses should be classified in essentially the same manner as those of similar business organizations, functions, or activities.
  - d. At a minimum, the statement of activities should present: (1) activities accounted for in governmental funds by function to coincide with the level of detail required in the governmental fund statement of revenues, expenditures, and changes in fund balance; and (2) activities accounted for in enterprise funds by different identifiable activities.

The Uniform Chart of Accounts will accommodate all of the above accounting principles.

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10. Common terminology and classifications should be used consistently throughout the budget, the accounts, and the financial reports of each fund.

It is highly recommended that counties follow the Uniform Chart of Accounts. By adhering to the terminology and classification within the Uniform Chart of Accounts, a common basis will be developed within the county as well as between counties.

11. Appropriate interim financial statements and reports of financial position, operating results, and other pertinent information should be prepared to facilitate management control of financial operations, legislative oversight, and where necessary or desired, for external reporting purposes.

12. Required annual financial reporting is:

- a. General purpose external annual financial reports should be prepared and published. They should include, at a minimum:

- 1) Management's discussion and analysis (MD&A).
- 2) Basic financial statements. The basic financial statements include:
  - Government-wide financial statements
  - Fund financial statements
  - Notes to the financial statements
- 3) Required supplementary information other than MD&A.

Reporting requirements are discussed in detail in Sections 3310 and 3320 of this manual. Example financial statements under these standards are presented in Section 4330 of this manual.

- b. A comprehensive annual financial report may be prepared and published covering all activities of the primary government (including blended component units) and providing an overview of all discretely presented component units of the county--including introductory section, MD&A, basic financial statements, required supplementary financial statements other than MD&A, combining and individual fund statements, schedules, narrative explanations, and statistical section.

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13. The financial reporting entity consists of: (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the county's basic financial statements to be misleading or incomplete. The county's government-wide financial statements should display information about the reporting entity as a whole distinguishing between the total primary government and its discretely presented component units as well as between the primary government's governmental and business-type activities. The county's fund financial statements should present the primary government's (including blended component units which are, in substance, part of the primary government) major funds individually and nonmajor funds in the aggregate. Funds and component units that are fiduciary in nature should be reported only in the statements of fiduciary net assets and changes in fiduciary net assets.

SUBJECT:

Sources of Generally Accepted Accounting Principles

PURPOSE:

To identify the sources for generally accepted accounting principles to be applied by counties.

PRINCIPLES:

There are three primary authoritative sources of generally accepted accounting principles (GAAP) for local governments:

1. GASB - Governmental Accounting Standards Board
2. FASB - Financial Accounting Standards Board
3. AICPA - American Institute of Certified Public Accountants

AICPA's Statement on Auditing Standards (SAS) No. 69 promulgates the new GAAP hierarchy for state and local governments. The new hierarchy replaces the one which has been in effect since the establishment of GASB in 1984.

The GAAP hierarchy, as prescribed by SAS No. 69, has five categories of sources of accounting principles:

1. GASB Statements and Interpretations, AICPA, and FASB pronouncements specifically made applicable to state and local governmental entities by GASB Statements and Interpretations.
2. GASB Technical Bulletins and, if specifically made applicable to state and local governmental entities by the AICPA and cleared by the GASB, AICPA Industry Audit and Accounting Guides, and AICPA Statements of Position.
3. AICPA Accounting Standards Executive Committee Practice Bulletins, if specifically made applicable to state and local governmental entities and cleared by the GASB, and GASB Emerging Issues Task Force Consensus Positions.

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4. Implementation guides ("Qs and As") published by the GASB and practices that are widely recognized and prevalent in state and local governments.
5. Other sources: Concept Statements, pronouncements of the FASB not otherwise applicable, textbooks, and articles. Also Audit and Accounting Guides/Statement of Position (if specific to government, but not cleared by GASB).

In the absence of established pronouncements, counties may consider other accounting literature. Other accounting literature includes, for example, GASB Concept Statements; pronouncements establishing accounting principles for nongovernmental entities when not specifically made applicable to state and local governments; Accounting Principal Board (APB) Statements; FASB Concepts Statements; AICPA Issues Papers; International Accounting Standards Committee (IASC) Statements; pronouncements of other professional associations or regulatory agencies; AICPA *Technical Practice Aids*; and accounting textbooks, handbooks, and articles.

GAAP for Proprietary Activities

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, provides additional guidance for establishing a GAAP hierarchy for proprietary activities.

Counties using proprietary accounting for its enterprise and internal service funds should apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, **unless** those pronouncements conflict with or contradict GASB pronouncements:

- S FASB Statements and Interpretations;
- S APB Opinions; and
- S Accounting Research Bulletins (ARBs).

In addition, a proprietary activity may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

A proprietary activity should apply all or none of the FASB pronouncements issued after November 30, 1989. The same application of FASB pronouncements is encouraged to be used for all proprietary activities, including component units, in the general purpose financial reports of the financial reporting entity. The provisions of the Statement are effective for annual financial statements for fiscal years beginning after December 15, 1993. (Refer to GASB Statement 20 for additional details.)

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SUBJECT:

Fund Accounting

PRINCIPLE:

The legal and accounting requirements of county government require that a number of separate accounting entities be established.

DEFINITION:

A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

TYPE OF FUNDS:

Governmental Funds

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. The governmental fund category includes the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

1. General Fund--to account for all financial resources, except those required to be accounted for in another fund.
2. Special Revenue Funds--to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The general fund of a blended component unit should be reported as a special revenue fund.
3. Debt Service Funds--to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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4. Capital Project Funds--to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or by trust funds for individuals, private organizations, or other governments).
5. Permanent Funds--to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the county's programs; that is, for the benefit of the county or its citizenry.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds.

1. Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are *required* to be reported in enterprise funds if any one of the following criteria is met.
  - a. The activity is financed with debt that is secured *solely* by a pledge of net revenues from fees and charges of the activity.
  - b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
  - c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).
2. Internal Service Funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the county and its component units, or to other governments, on a cost-reimbursement basis. Internal Service Funds should be used only if the county is the predominant participant in the activity, for example, a self-insurance fund. Otherwise, the activity should be reported in an enterprise fund.

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Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the county's own programs. The fiduciary fund category includes investment trust funds, private purpose trust funds, and agency funds.

1. Investment Trust Funds--to account for specific investments held for others and the external portion of investment pools reported by the county.
2. Private Purpose Trust Funds--to account for all other trust arrangements for which principal and income benefits individuals, private organizations, or other governments.
3. Agency Funds--to account for resources held in a custodial capacity, typically involving only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

NUMBER OF FUNDS:

Counties should establish and maintain those funds required by law and for sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

Each fund must be accounted for in a separate self-balancing set of accounts for its assets, liabilities, equity, revenues, expenditures or expenses (as appropriate), and transfers. This requirement of a complete set of accounts for each fund refers to identification of accounts in the accounting records and does not necessarily extend to physical segregation of assets and liabilities.

INTERFUND TRANSACTIONS:

Activity between funds of the county, including its blended component units, are divided into two broad categories: reciprocal and nonreciprocal. Reciprocal interfund activity comprises interfund loans and interfund services provided and used. Nonreciprocal interfund activity comprises interfund transfers and interfund reimbursements.

1. Interfund loans are amounts provided between funds and blended component units of the county with a requirement for repayment. Interfund loans are reported as assets in the loaning fund and liabilities in the borrowing fund. Interfund loans do not impact the operating statement.
2. Interfund services provided and used are sales and purchases of goods and services between funds and blended component units of the county for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in the fund providing the service and expenditures or expenses in the fund using the service.
3. Interfund transfers are flows of assets (such as cash or goods) between funds and blended component units of the county without equivalent flows of assets in return and without a requirement for repayment. Interfund transfers should be distinguished from revenues, expenditures, or expenses in financial statements. Transfers should be reported in the other financing sources (uses) section in the statement of revenues, expenditures, and changes in fund balance (governmental funds) and in the contributions and transfers section in the statement of revenues, expenses, and changes in fund net assets (proprietary funds). Interfund transfers thus affect the results of operations in both governmental and proprietary funds.
4. Interfund reimbursements are repayments from the funds or blended component units of the county responsible for particular expenditures or expenses to the funds or blended component units of the county that initially paid for them. This type of transaction should be recorded as an expenditure or expense (as appropriate) in the reimbursing fund and as a reduction of the expenditure or expense in the fund that is reimbursed. An example of this transaction would be an expenditure properly chargeable to a special revenue fund which was initially made from the general fund and which is subsequently reimbursed.

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LONG-TERM DEBT PROCEEDS:

Under the accrual basis of accounting used to report the operations and financial position of the government in the government-wide financial statements and the proprietary and fiduciary funds in the fund financial statements, proceeds of long-term debt increase the debt payable liability account. Under the modified accrual basis of accounting used for the fund financial statements of governmental funds, debt proceeds will be reported in the operating statement of the recipient fund as “bond issue proceeds” or “proceeds from long-term notes.” In those fund financial statements the liabilities are not reported in the funds.

BUDGETING ASPECTS:

In fund accounting, much significance is attached to the budget. The budget is appropriate for managing and reporting on governmental operations. If the objectives of government are to provide services while adhering to legal requirements, then the budget is the financial plan embodied in the law introduced and enacted in the same manner as any other ordinance or statute. In fund accounting, the budget is the goal. It is management’s plan for securing and allocating resources. Comparing the operating results with the budget is a way of demonstrating accountability and management performance.

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SUBJECT:

Basis of Accounting and Measurement Focus

PRINCIPLE:

The government-wide statement of net assets and statement of activities should be prepared using the economic resources measurement focus and the accrual basis of accounting. In fund financial statements, the modified accrual or accrual basis of accounting, as appropriate, should be used in measuring financial position and operating results. The measurement focus for governmental funds is the current financial resources.

DEFINITION:

“Basis of accounting” refers to *when* revenues, expenditures, expenses, and transfers--and the related assets and liabilities--are recognized in the accounts and reported in the financial statements. Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method. For example, whether depreciation is recognized depends on whether expenses or expenditures are being measured rather than on whether the cash or accrual basis is used.

“Measurement focus” describes the types of transactions and events that are reported in a fund’s operating statement. Under the *economic resources* measurement focus, the concern is measuring all transactions or events that increase or decrease net assets. The *current financial resources* measurement focus is concerned with measuring transactions and events that will increase or decrease resources available for current spending.

PROCEDURES:

Accrual Basis Reporting in Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities should be prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions should be recognized in accordance with the requirements for nonexchange transactions, Section 3240 of this manual.

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Modified Accrual Basis in Governmental Fund Financial Statements

The major differences in applying the accrual concept in governmental fund accounting, as opposed to that used in government-wide financial statements and proprietary and fiduciary fund financial statements, relate to differences in the environment and in the accounting measurement objectives. These modifications and adaptations for the practical and appropriate implementation of the accrual concept in governmental fund accounting are best referred to as the “modified accrual basis” and should be applied in all governmental fund accounting and reporting.

Revenue Recognition

Revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both *measurable* and *available* to finance expenditures of the fiscal period. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Revenues and other increases in governmental fund financial resources that usually can and should be accrued include property taxes, regularly billed charges for services, most grants from other governments, and interfund transfers and other transactions. Service-type special assessment revenues should be treated like user fees.

Interest and dividend income should be recognized on the modified accrual basis. Changes in the fair value of investments should be recognized as revenue in the governmental fund statement of revenues, expenditures, and changes in fund balance at the end of each year. Such changes may be identified separately as an element of investment income, captioned “net increase (decrease) in the fair value of investments.” Realized gains and losses should not be displayed separately from the net increase (decrease) in the fair value of investments in the financial statements.

Recreation fees, inspection charges, parking fees, and the vast multitude of miscellaneous receipts are best recognized when cash is received.

Section 3240 provides guidance on the recognition of revenues arising from nonexchange transactions involving financial and capital resources, including property taxes, certain grants, contributions, and fines. Application of the provisions of that section requires analysis of the *substance* of a nonexchange transaction, rather than attention only to its *label*. That section defines and uses four classes of nonexchange transactions.

#### Expenditure Recognition

The measurement focus of governmental fund financial statements is on expenditures--decreases in net financial resources--rather than expenses. Most expenditures and transfers out are measurable and should be reported when the related liability is incurred.

Consistent with the flow of current financial resources measurement focus required for *governmental fund* financial statements, governmental financial reporting standards include criteria for distinguishing the portions of liabilities incurred by the government that should be reported as:

- a. Governmental fund liabilities (claims against current financial resources), and
- b. General long-term liabilities of the government.

With the exception of long-term debt, counties should accrue a governmental fund liability and expenditure in the period in which the government incurs the liability. Governmental fund liabilities that should be accrued include liabilities that, once incurred, normally are paid in a timely manner and in full from current financial resources. For example, salaries, professional services, supplies, utilities, and travel.

The major exception to the general rule of expenditure accrual relates to unmatured principal and interest on long-term debt. Governmental fund liabilities and expenditures for debt service on general long-term debt, including capital leases, generally should be recognized *when due*--that is, to the extent that portions of the debt mature during the reporting period.

Section 3240 provides guidance on the recognition of liabilities arising from nonexchange transactions involving financial and capital resources, including certain grants and contributions. That section defines and uses four classes of nonexchange transactions.

Accrual Basis in Proprietary Fund Statements

Proprietary fund statements of net assets and revenues, expenses, and changes in fund net assets should be presented using the economic resources measurement focus and the accrual basis of accounting.

Accrual Basis in Fiduciary Fund Statements

Financial statements of fiduciary funds should be reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

SUMMARY

The following table summarizes the measurement focus and basis of accounting applied to the different fund types:

Fund Category	Fund Type	Measurement Focus		Basis of Accounting	
		Economic Resources	Current Financial Resources	Accrual	Modified Accrual
Governmental Funds	General		X		X
	Special Revenue		X		X
	Debt Service		X		X
	Capital Projects		X		X
	Permanent		X		X
Proprietary Funds	Enterprise	X		X	
	Internal Service	X		X	
Fiduciary Funds	Investment Trust	X		X	
	Private-Purpose Trust	X		X	
	Pension (and other employee benefit) Trust	X		X	
	Agency			X	

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SUBJECT:

Nonexchange Transactions

DEFINITION:

In a nonexchange transaction, a government (including the federal government, as a provider) *either* gives value (benefit) to another party without directly receiving equal value in exchange *or* receives value (benefit) from another party without directly giving equal value in exchange. There are four classes of nonexchange transactions based on their principal characteristics.

1. Derived tax revenues result from assessments imposed by governments on exchange transactions--like sales taxes. Income tax is also a derived tax revenue based on corporate or personal income. The principal characteristics of derived tax revenues are the assessing government imposes the tax on the provider and it is based on an exchange transaction--such as income taxes imposed on the exchange of employee services for wages. Most counties do not have derived tax revenues.
2. Imposed nonexchange revenues result from assessments by governments on nongovernmental entities, including individuals, other than derived tax revenues. Examples of imposed nonexchange revenues are property taxes, fines and penalties, and property forfeitures. The principal characteristic of imposed nonexchange revenues is that the provision of resources is imposed by the government on an act committed or omitted by the provider that is not an exchange transaction. For example, a speeding ticket is *imposed* on a driver for speeding--this is an imposed nonexchange transaction imposed by the government on an act committed by the provider of the revenue.
3. Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose--like many grants. The principal characteristics of government-mandated nonexchange transactions are the provider government mandates that the recipient government perform a particular program or facilitate its performance by another entity, and there are specific time and eligibility requirements that must be met.

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4. Voluntary nonexchange transactions result from legislative or contractual agreements, other than exchanges, entered into willingly between two or more parties--like certain grants and donations. The principal characteristics of voluntary nonexchange transactions are that they are not imposed on the provider or the recipient and that there are eligibility requirements that must be met.

PROCEDURES:

All standards in this section apply whether the accrual basis or the modified accrual basis of accounting is required, except for revenue recognition standards. For revenue recognition, the standards apply when the accrual basis of accounting is required and modifications to the standards for modified accrual basis of accounting are included in a separate section at the end.

Time Requirements and Purpose Restrictions

Enabling legislation or providers of resources in nonexchange transactions frequently stipulate time requirements, purpose restrictions, or both. Time requirements specify the periods when resources are required to be used or when use may begin. Purpose restrictions specify the purpose or purposes for which the resources are required to be used.

Time requirements affect the *timing of recognition* of nonexchange transactions. Also, the effect on the timing of recognition is different, depending on whether a nonexchange transaction is: (a) an imposed nonexchange revenue transaction, or (b) a government-mandated or voluntary nonexchange transaction.

In contrast to time requirements, purpose restrictions do not affect the timing of recognition for any class of nonexchange transactions. Rather, recipients of resources with purpose restrictions should report resulting net assets (or equity or fund balance, as appropriate) as restricted until the resources are used for the specified purpose or for as long as the provider requires the resources to be maintained intact.

Reimbursements

Governments (including the federal government) frequently engage in award programs commonly referred to as “reimbursement-type” or “expenditure-driven” grant programs. These programs may be either government-mandated or voluntary nonexchange transactions, depending on their characteristics. In either case, the provider stipulates the recipient cannot qualify for resources without *first* incurring allowable costs under the provider’s program. That kind of stipulation is *not* a purpose restriction, but is considered an *eligibility requirement* and affects the timing of recognition. That is, there is no award--no revenue, expense, asset, or liability--until the recipient has met the provider’s requirements by incurring costs in accordance with the provider’s program.

Derived Tax Revenue Transactions

Counties do not usually have derived tax revenues but, if they do, they should recognize *assets* from derived tax revenues in the period when the exchange transaction takes place or when the resources are received, whichever is first. *Revenues* should be recognized in the same period that the assets are recognized, provided the underlying exchange transaction has occurred.

Imposed Nonexchange Revenue Transactions

Counties should recognize *assets* from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever is first. For property taxes, the date when an enforceable legal claim to taxable property arises is the first Monday in January (Minn. Stat. § 272.31).

Counties should recognize *revenues* from property taxes *in the period for which the taxes are levied*, even if the enforceable legal claim arises or the due date for payment occurs in a different period. All other imposed nonexchange revenues should be recognized in the same period the assets are recognized, unless the enabling legislation includes time requirements.

Government-Mandated Nonexchange Transactions and Voluntary Nonexchange Transactions

Providers of resources in government-mandated or voluntary nonexchange transactions frequently establish eligibility requirements. Eligibility requirements are conditions established by enabling legislation or the provider that are required to be met before a transaction can occur. That is, until those requirements have been met, the provider does not have a liability, the recipient does not have a receivable, and the recognition of expenses or revenues for resources transmitted in advance should be deferred.

Eligibility requirements comprise one or more of the following:

- a. *Required characteristics of recipients*; for example, the recipient must be a county.
- b. *Time requirements*, such as the period when the resources are required to be used, disbursed, or consumed, or when use is first permitted or how long the resources are to remain intact.
- c. *Reimbursements*, such as expenditure-driven grants.
- d. *Contingencies*, where the provider's offer of resources is contingent on a specified action of the recipient and that action has occurred.

Providers should recognize liabilities and expenses from government-mandated or voluntary nonexchange transactions, and recipients should recognize receivables and revenues when all applicable eligibility requirements are met. Resources transmitted before the eligibility requirements are met should be reported as advances by the provider and as deferred revenues by recipients.

Revenue Recognition in Governmental Fund Statements

Financial statements of governmental funds should be presented using the *current financial resources measurement focus* and the *modified accrual basis of accounting*, as the terms are discussed in Section 3230 of this manual. Revenues from nonexchange transactions should be recognized "in the accounting period when they become available and measurable."

When the modified accrual basis of accounting is used, revenues resulting from nonexchange transactions should be recognized as follows:

1. Derived tax revenues. Recipients should recognize revenues in the period when the underlying exchange transaction has occurred *and* the resources are available.
2. Imposed nonexchange revenues--property taxes. When a property tax assessment is made, it is to finance the budget of a particular period, and the revenue produced from any property tax assessment should be recognized in the fiscal period for which it was levied, provided the “available” criteria are met. *Available* for property taxes means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days.
3. Imposed nonexchange revenues--other than property taxes. Recipients should recognize revenues in the period when an enforceable legal claim has arisen and the resources are available.
4. Government-mandated nonexchange transactions and voluntary nonexchange transactions. Recipients should recognize revenue in the period when all applicable eligibility requirements have been met *and* the resources are available.

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SUBJECT:

Capital Assets and Depreciation on Capital Assets

PRINCIPLES:

A clear distinction should be made between general capital assets and capital assets of proprietary and fiduciary funds. Capital assets of proprietary funds should be reported in both the government-wide and fund financial statements. Capital assets of fiduciary funds should be reported only in the statement of fiduciary net assets. All other capital assets of the county are general capital assets. They should not be reported as assets of governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets.

Capital assets should be reported at historical or estimated historical cost. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Donated capital assets should be reported at their estimated fair value at the time of acquisition plus ancillary charges, if any.

Capital assets should be depreciated over their estimated useful lives, unless they are either inexhaustible or are infrastructure assets using the modified approach. Inexhaustible assets, such as land and land improvements, should not be depreciated. Depreciation expense should be reported in the government-wide statement of activities; the proprietary fund statement of revenues, expenses, and changes in fund net assets; and the statement of changes in fiduciary net assets.

DEFINITION:

The term *capital assets* includes land, land improvements, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads and streets, bridges, lighting systems, traffic signals, storm drains, sidewalks, and other. Buildings generally will not be considered infrastructure assets.

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PROCEDURES:Reporting Capital Assets in Government-Wide Financial Statements

Capital assets that are being or have been depreciated should be reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land or infrastructure assets reported using the modified approach, should be reported separately.

Depreciation expense should be measured by allocating the net cost of depreciable assets over their estimated useful lives in a systematic and rational manner. Depreciation expense should be reported in the statement of activities as follows:

1. Depreciation expense for capital assets that can specifically be identified with an expense function should be included in its direct expenses. Depreciation expense for “shared” capital assets should be ratably included in the direct expenses of the appropriate functions.
2. Depreciation expense for capital assets, such as a courthouse that essentially serves all functions, is not required to be included in the *direct* expenses of the various functions. This depreciation may be included as a separate line in the statement of activities or as part of the “general government” function. In either case, the depreciation can be allocated with other indirect expenses in a separate column of the statement. If a county uses a separate line in the statement of activities to report *unallocated* depreciation expense, it should clearly indicate on the face of the statement that this line item excludes *direct* depreciation expenses of the various programs.
3. Depreciation expense for general infrastructure assets should not be allocated to the various functions. It should be reported as a direct expense of the function that county associates the capital outlays for, maintenance of the infrastructure assets, or as a separate line in the statement of activities.

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Reporting General Capital Assets

General capital assets are capital assets of the county that are not specifically related to activities reported in proprietary or fiduciary funds. General capital assets are associated with and generally arise from governmental activities. Most often, they result from the expenditure of governmental fund resources. They should not be reported as assets in governmental funds but should be reported in the governmental activities column in the government-wide statement of net assets.

Reporting Capital Assets in Proprietary Fund Financial Statements

Capital assets of proprietary funds should be reported in the government-wide statement of net assets and in the proprietary fund statement of net assets. Capital assets of proprietary funds should be capitalized and reported as discussed in the principles above. The accounting policy with respect to capitalization of interest costs incurred during construction should be disclosed and consistently applied.

Reporting Capital Assets in Fiduciary Fund Financial Statements

Capital assets of fiduciary funds and component units that are fiduciary in nature should be reported in the statement of fiduciary fund net assets. They should be capitalized and reported as discussed in the principles above.

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SUBJECT:

Accounting for Long-Term Liabilities

PRINCIPLE:

A clear distinction should be made between fund long-term liabilities and general long-term liabilities. Long-term liabilities directly related to and expected to be paid from proprietary funds should be reported in the proprietary fund statement of net assets. Long-term liabilities directly related to and expected to be paid from fiduciary funds should be reported in the statement of fiduciary net assets. All other unmatured general long-term liabilities of the governmental fund should not be reported as liabilities in governmental funds but should be reported in the governmental activities column of the government-wide statement of net assets.

The general long-term debt of a county is secured by its general credit and taxing powers rather than by its assets or specific fund resources. Further, just as general capital assets do not represent financial resources available for appropriation and expenditure, the unmatured principal of general long-term liabilities does not require current appropriation and expenditure of governmental fund financial resources--to include it as a governmental fund liability would be misleading and dysfunctional to the current period management control and accountability functions.

A distinction should be made between general long-term liabilities that relate to capital assets and those that do not. The net assets (equity section) in the government-wide statement of net assets reports capital assets net of related debt.

DEFINITION:

General long-term debt is not limited to liabilities arising from debt issuances, but may also include noncurrent liabilities on capital and operating leases, compensated absences, claims and judgments, pensions, special termination benefits, landfill closure and postclosure care, and other commitments that are not current liabilities properly reported in governmental funds.

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PROCEDURES:

Modified Accrual Recognition of Liabilities and Expenditures

Consistent with the flow of current financial resources measurement focus required for *governmental fund* financial statements, governmental financial reporting standards include criteria for distinguishing the portions of liabilities incurred by the government that should be reported as:

1. Governmental fund liabilities (claims against current resources), and
2. General long-term liabilities of the government.

Reporting Expenditures for Governmental Fund Liabilities

*Matured liabilities* should be reported as governmental fund liabilities. Matured liabilities include: (a) liabilities that are normally due and payable in full when incurred, and (b) the matured portion of general long-term indebtedness (the portion that has come due for payment).

The major exception to the general rule of expenditure accrual relates to unmatured principal and interest on long-term debt. Governmental fund liabilities and expenditures for debt service on general long-term debt, including capital leases, generally should be recognized *when due*-- that is, to the extent that portions of long-term debt mature during a reporting period.

Accrual Recognition of Liabilities

Long-term liabilities directly related to and expected to be paid from proprietary funds should be reported in the proprietary fund statement of net assets. Long-term liabilities directly related to and expected to be paid from fiduciary funds should be reported in the statement of fiduciary net assets. Under the accrual basis of accounting used to report the operations and financial position of the government in the government-wide financial statements and the proprietary and fiduciary funds in the fund financial statements, proceeds of long-term debt increase the debt payable liability account and payments on long-term debt reduce the liability account.

SUBJECT:

Financial Reporting Responsibilities/Requirements

PURPOSE:

To provide information related to county financial operations and conditions.

PRINCIPLES:

Appropriate interim financial statements and reports of financial position, operating results, and other pertinent information should be prepared to facilitate management control of financial operations, legislative oversight, and where necessary or desirable, for external reporting purposes.

Counties must prepare and publish an annual financial report covering all funds of the reporting entity, including management's discussion and analysis, appropriate government-wide financial statements, fund financial statements, and notes to the financial statements. Combining and individual fund statements and supporting schedules are also recommended to be included.

The requirements for financial reporting in accordance with generally accepted accounting principles (GAAP) are established by the Governmental Accounting Standards Board (GASB). GASB has adopted the standards prescribed by its predecessor, the National Council on Governmental Accounting, including Statement 1, principle 12, which states:

1. Appropriate interim financial statements and reports of financial position, operating results, and other pertinent information should be prepared to facilitate management control of financial operations, legislative oversight, and where necessary or desired, for external reporting purposes.
2. A comprehensive annual financial report covering all funds--including appropriate combining and individual fund statements, schedules, narrative explanations, and statistical--should be prepared and published.

The annual financial statements prepared by local governments were revisited and improved substantially by GASB Statement 34, enacted in June 1999.

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PROCEDURES:

Interim Reporting

Timely and accurately presented financial reports are essential to managers, legislative officials, creditors, financial analysts, the general public, and others with needs for county financial information.

Principally, interim financial reports comprise statements that reflect the current financial position at the end of the month or quarter. These reports generally compare actual financial results with budgetary estimates and limitations for the month, quarter, and year-to-date. Interim reports are typically prepared only for internal use. Thus, they often are prepared on a budgetary basis and do not include government-wide statements on the accrual basis. Further, they may properly contain budgetary or cash flow projections and other information deemed pertinent to effective management control during the year.

External Reporting

External annual financial statements will include management's discussion and analysis, government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information other than management's discussion and analysis, if applicable. Combining and individual fund statements and supporting schedules are also recommended to be included. Sample report formats are displayed in Section 4000.

RESPONSIBILITIES:

Management assumes responsibility for:

- Preparing financial statements,
- Adopting sound accounting policies,
- Maintaining an effective accounting system,
- Safeguarding assets, and
- Maintaining a system of internal control that ensures production of proper financial statements.

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The independent auditor is responsible for properly testing management systems of internal control and for reporting whether management's financial statements were prepared in conformity with generally accepted accounting principles.

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SUBJECT:

Financial Reporting Entity

PURPOSE:

To describe the units of government which must be reported as part of the county's financial reporting entity.

PRINCIPLES:

Background

Accountability is the cornerstone of all financial reporting in government. Financial reporting plays a major role in fulfilling government's duty to be publicly accountable in a democratic society. Accountability is the basis for defining the financial reporting entity. Financial reporting based on accountability enables the financial statement reader to focus on the body of organizations that are related by a common thread of accountability to the constituent citizenry.

For various reasons, as allowed by statute, many separate organizations related to counties have been established. Some of these public authorities have legal, financial, or administrative autonomy that departments and agencies of the county do not have. Despite the outward appearance of autonomy, or separateness, these organizations customarily are administered by governing bodies that have been appointed by the board of county commissioners.

The county commissioners are elected by the citizenry to serve as their representatives to promote the public health, safety, and general welfare of the citizens in the county. Thus, the board is accountable to those citizens for its public policy decisions through the operations of the county or by its designees through the operations of specially created organizations.

This broad-based notion of accountability by elected officials leads to the underlying concept of the governmental financial reporting entity. Governmental organizations are responsible to elected governing officials at the federal, state, or local level; therefore, financial reporting by state or local governments should report the elected officials' accountability for those organizations.

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Definitions

Primary Government - The foundation of a primary government is a separately-elected governing body--one that is elected by the citizens in a general, popular election. As the nucleus of the financial reporting entity, the primary government generally is the focal point for the users of the financial statements. A primary government is any state government or general purpose local government, such as a county.

A primary government consists of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, or offices that are not legally separate are, for financial reporting purposes, part of the primary government.

Component Unit - Component units are legally separate organizations for which the elected officials of the primary government are financially accountable or organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

PROCEDURES:

What Makes a Component Unit?

Two general rules will make an organization part of the county's reporting entity.

1. If the county board of commissioners appoints the governing board of the other organization *and* it can either impose its will on it or has a financial benefit/burden relationship with it.
2. If the legally separate organization is fiscally dependent on the county.

Appointment of Governing Board

A county may be financially accountable if the county board appoints a voting majority of the organization's governing body (or is, by law, the governing body of the organization) and it is: (1) able to impose its will on that organization, *or* (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the county.

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Imposition of Will

A primary government that is accountable for an organization because it appoints a voting majority of that organization's governing body frequently has the ability to affect that organization's operations. This ability is referred to as the primary government's ability to impose its will on the organization. A primary government is able to impose its will on an organization if it can significantly influence the programs, activities, or level of service performed or provided by the organization. The existence of *any one* of the following conditions clearly indicates that a primary government has the ability to impose its will on an organization:

- a. The ability to remove appointed members of the organization's governing body at will.
- b. The ability to modify or approve the budget of the organization.
- c. The ability to modify or approve rate or fee changes affecting revenues, such as water usage rate increases.
- d. The ability to veto, overrule, or modify the decisions of the organization's governing body.
- e. The ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations (management) of the organization.

Financial Benefit/Burden

A primary government that is accountable for an organization because it appoints a voting majority of that organization's governing body frequently receives a financial benefit or incurs a financial burden in the relationship. An organization has a financial benefit or burden relationship with the primary government if *any one* of these conditions exists:

- a. The primary government is legally entitled to or can otherwise access the organization's resources.

- b. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- c. The primary government is obligated in some manner for the debt of the organization.

Fiscal Dependency

The county may be financially accountable if an organization is fiscally dependent on the county regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

Fiscal dependency does not necessarily imply that a financial benefit or burden relationship exists. An organization is fiscally dependent on the county if the county is able to reduce or modify the organization's budget, the county has to approve tax levies or rates set by the organization, or the county has to approve bonded debt issues of the organization. A distinction should be made between substantive approvals and ministerial (or compliance) approvals.

PRESENTATION:

Financial statements of the county should provide an overview of the county based on financial accountability, yet allow users to distinguish between the primary government and its component units. Because of the closeness of their relationships with the primary government, some component units should be blended as though they were part of the primary government; however, most component units should be discretely presented.

Most component units should be included in the financial reporting entity by discrete presentation. Discrete presentation entails reporting component unit financial data in columns/rows separate from the financial data of the primary government.

Even though it is desirable for users to be able to distinguish between the primary government and its component units, there are some component units that, despite being legally separate from the primary government, are so intertwined with the primary government that they are, in substance, the same as the primary government. These component units are reported as if they were funds of the primary government. This method of inclusion is known as blending.

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A component unit should be blended with the primary government in either of the following circumstances:

1. The component unit's governing body is substantively the same as the governing body of the primary government.
2. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary governments even though it does not provide services directly to it. The essence of this type of arrangement is much the same as an internal service fund.

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SUBJECT:

External Financial Reporting

PURPOSE:

To describe minimum requirements for general purpose external financial reporting and the units of government which affect the county accounting system.

PRINCIPLES:

Management's Discussion and Analysis (MD&A)

The MD&A should introduce the basic financial statements and provide an analytical overview of the county's financial activities. It is part of the required supplementary information; however, it should be presented before the basic financial statements. The MD&A should provide an objective and easily readable analysis of the county's financial activities. It should include comparisons of current year to prior year based on the government-wide financial information. It also includes information regarding the county's budget variances, capital assets, long-term debt activity, and a description of currently known facts, decisions, or conditions expected to have a significant effect on financial position or results of operations.

Basic Financial Statements

- Government-Wide Financial Statements (see Section 3340)

The government-wide financial statements require counties to distinguish between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Governmental activities are usually reported in the governmental fund types and internal service funds in the fund financial statements. Examples of governmental activities include public safety, highways and streets, and welfare services.

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Business-type activities are financed in whole or in part by fees charged to the users of the services. They are reported in the enterprise funds in the fund financial statements. Examples include nursing homes and landfills.

Internal service funds are generally reported with the governmental activities, but they may also be reported with the business-type activities if the predominant users of these funds are enterprise funds. Some interfund balances are to be eliminated. (See *Eliminations* in Section 3340.)

The government-wide financial statements consist of a statement of net assets and a statement of activities. They are prepared using the economic resources measurement focus and the accrual basis of accounting. Each statement distinguishes between the governmental and business-type activities of the primary government and its discretely presented component units.

#### Statement of Net Assets

The statement of net assets presents the county as one economic unit rather than a compilation of different funds. The statement focuses on type of activities rather than type of funds. Counties should report all capital assets, including infrastructure assets, in the government-wide statement of net assets. The net assets should be reported in three categories: invested in capital assets - net of related debt, restricted, and unrestricted.

#### Statement of Activities

The statement of activities is a report on the results of the county's operations. The statement presents the cost of each function and the extent to which each of the county's functions, programs, or services either contributes to or takes away from the county's general revenues.

- Fund Financial Statements (see Section 3350)

#### Governmental Fund Financial Statements

Governmental funds should be reported using the current financial resources measurement focus and the modified accrual basis of accounting. These funds are presented by general fund, major funds, and aggregated nonmajor funds.

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Two statements are required: the balance sheet and the statement of revenues, expenditures, and changes in fund balance. General capital assets and general long-term liabilities are not reported in the governmental fund balance sheet. The statement of revenues, expenditures, and changes in fund balance reports information about the inflows, outflows, and balances of current financial resources.

Each statement reports separate columns for the general fund and for other major governmental funds. The nonmajor funds are reported in aggregate in a separate column.

Proprietary Fund Financial Statements

Proprietary funds continue to be reported on the economic resources measurement focus and the full accrual basis of accounting. These funds are reported as major enterprise funds, aggregated nonmajor enterprise funds, and aggregated internal service funds.

Three statements are required for proprietary funds: statement of net assets; statement of revenues, expenses, and changes in fund net assets; and statement of cash flows.

The proprietary statement of net assets presents assets and liabilities in a classified format. Restricted assets are reported separately. Net assets should be reported in the following three components: invested in capital assets - net of related debt, restricted, and unrestricted.

The proprietary statement of revenues, expenses, and changes in fund net assets reports in a specific format. All transactions affecting net assets are included. Revenues are reported by major source. Expenses are reported by either detail (object) or function level. Revenues and expenses should distinguish between operating and nonoperating.

Fiduciary Fund Financial Statements

The fiduciary statements are prepared using the economic resources measurement focus and full accrual basis of accounting. Two statements are required: statement of fiduciary net assets and statement of changes in fiduciary net assets.

Agency funds should be reported in the statement of fiduciary net assets. Their fund assets should equal fund liabilities. Agency funds do not have operations and should not be included in the statement of changes in fiduciary net assets.

The statement of fiduciary net assets should include information about the assets, liabilities, and net assets for each fiduciary fund type and for similar discretely presented component units of the reporting entity.

The statement of changes in fiduciary net assets should include information about the additions to, deductions from, and net increase (decrease) in net assets for the year for each fiduciary fund type and component unit. It should provide information about significant year-to-year changes in net assets.

Notes to the Financial Statements

Notes to the financial statements are essential to fair presentation of the basic financial statements. The notes include the summary of significant accounting policies and summary disclosure of such matters as significant contingent liabilities, encumbrances outstanding, significant effects of subsequent events, pension plans, accumulated unpaid employee benefits (such as vacation and sick leave), material violations of finance-related legal and contractual provisions, debt service requirements to maturity, commitments under capitalized leases, construction and other significant commitments, any excess of expenditures over appropriations in individual funds, deficit balances of individual funds, and interfund receivables and payables. Any other disclosures necessary in the circumstances should be included.

Required Supplementary Information

Statements, schedules, statistical data, and other information the Governmental Accounting Standards Board deems necessary is reported as required supplementary information (RSI). Except for the MD&A, RSI, including budgetary comparison information, should be presented immediately following the notes to the financial statements.

Four types of RSI must be presented where applicable:

- Budgetary comparisons (for the general fund and major special revenue funds),
- Infrastructure condition and maintenance data (for counties using the modified approach),

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- Pension trend data (for certain pension plans and participating employers), and
- Revenue and claims development trend data (for public entity risk pools).

REPORTING TO OTHER GOVERNMENTAL UNITS:

The elements of the county accounting system are subject to the reporting requirements of the agencies listed below which have administrative or statutory authority to request accounting information.

In order to comply with statutory reporting requirements, counties should utilize the Uniform Chart of Accounts in a manner that will give them the widest variety of external reporting capabilities.

The following state agencies may require financial data from Minnesota counties:

- State Auditor - financial statements and related data;
- Department of Revenue - tax and tax-related data, levy data, grants-in-aid;
- Department of Human Services - financial and programmatic data;
- Department of Health - financial and programmatic data;
- Department of Corrections - financial and programmatic data;
- Department of Transportation - basic cost accounting data and data to determine state-aid money;
- Department of Education (formerly Children, Families and Learning) - financial and programmatic data;
- Department of Public Safety - motor vehicle sales and data on fines imposed for statutory violations;

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- PERA - retirement fund data;
- State Planning Agency - informational requests; and
- Department of Economic Security - financial and programmatic data.

In addition to state agencies, the following may require financial data:

- Judicial branch - under the Court Administrator's Act, financial data will be reported; and
- Legislature - specific requests.

Local units of government may require financial information as it relates to the counties' trust and agency function, court fines, special assessments, etc.

Additionally, numerous federal agencies, either directly or through state agencies, may require significant quantities of accounting-related data from counties.

SUBJECT:

Government-Wide Financial Statements

PURPOSE:

To describe minimum requirements for the government-wide financial statements on the economic resources measurement focus and the full accrual basis of accounting.

PRESENTATION:

The government-wide financial statements consist of a statement of net assets and a statement of activities. They are prepared using the economic resources measurement focus and the accrual basis of accounting. Each statement distinguishes between the governmental and business-type activities of the primary government and its discretely presented component units. Statements should always have a total column/row for the primary government. A total column for the county as a whole is permitted but not required. Prior year or comparative data may be presented in the government-wide statements but are not required.

The reports should follow the basic format illustrated in Section 4000 of this manual.

Statement of Net Assets

The statement of net assets presents the county as one economic unit rather than a compilation of different funds. The statement focuses on type of activities rather than type of funds. Counties should report all capital assets, including infrastructure assets, in the government-wide statement of net assets. They should report the net assets in three categories: invested in capital assets - net of related debt, restricted, and unrestricted.

The financial statements should include separate information for each major discretely presented component unit. The county can meet this requirement in one of three ways:

1. Include a separate column for each major discretely presented component unit on the face of the statement of net assets (with a single aggregated column for nonmajor component units).

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2. Within the basic financial statements, include a combining statement of net assets for major discretely presented component units (with a single aggregated column--nonmajor component units--and a total column that supports the presentation on the face of the government-wide statement of net assets).
3. Include condensed financial statements for each major component unit in the notes to the financial statements.

The county has two format options to present net assets--either the net assets format (assets minus liabilities equal net assets) or the balance sheet format (assets equal liabilities plus net assets). COFARS illustrates the net assets format in Section 4000.

Assets

Assets should be presented either in order of their relative liquidity or in the classified format. Liquidity describes how readily an asset can be converted into cash. Liquidity may also depend on whether restrictions exist limiting the use of those resources. Restricted assets should be analyzed as to their liquidity and placed accordingly in the financial statement.

The statement's lines are not specifically defined and the county should use its own judgment regarding how much detail it wants to present in the statement of net assets. For example, capital assets may be one line or have separate lines for land, buildings, infrastructure, and others. The county should list separately any assets with significant balances.

Liabilities

Liabilities should be presented in order of their relative liquidity based on their maturity or when cash will be used to liquidate them.

Liabilities with average maturities greater than one year should be reported in two parts: the amount due within one year and the amount due in more than one year. The face of the financial statement should include a summary of liability balances and the details about changes in liabilities should be provided in the notes to the financial statements. This requirement applies not only to bonded debt but also to operating liabilities like compensated absences and claims and judgments. The portion "due within one year" needs to be reasonably estimated.

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Net Assets

The difference between a county's assets and liabilities is its net assets. The county should display net assets in three components:

- Invested in capital assets, net of related debt;
- Restricted net assets; and
- Unrestricted net assets.

Invested in Capital Assets - Net of Related Debt

The amount should be calculated as follows:

1. Capital asset balances in the statement of net assets (including restricted capital assets);
2. Minus accumulated depreciation (if capital assets are not reported net); and
3. Minus outstanding balances of any bonds, mortgages, notes, or other capital-related debt attributable to the acquisition, construction, or improvement of those assets.

If no capital debt exists, the line should be captioned "invested in capital assets."

All capital assets should be reported in "invested in capital assets, net of related debt," regardless of restrictions, but financial resources restricted for capital asset acquisition should not be included. That is, unspent bond proceeds or capital grants on hand would be reported as restricted net assets offset by the unspent portion of the bonds payable.

Capital assets related debt should include debt issued to refund existing capital-related debt. When deducting the related debt, the amount of the debt should be adjusted for any accumulated amounts of non-interest bearing or deep-discount debt discounts.

If a county issued debt to finance the capital assets of another government, this debt should not reduce the “invested in capital assets, net of related debt” unless the capital assets are also reported by the county issuing the debt. If the assets are not reported, the debt should be reported in “unrestricted net assets.” If the amount is significant, the county should disclose details in the notes to the financial statements.

Restricted Net Assets

Net assets should be reported as restricted when constraints placed on their use are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Restricted net assets should be reduced by liabilities related to those assets. Restricted net assets should be reported by the major categories of restrictions. No category of restricted net assets can be negative. If liabilities related to restricted assets exceed those assets, no balance should be reported, and the negative amount should be reported as a reduction to unrestricted net assets.

Restricted net assets of permanent funds should be reported as expendable and nonexpendable.

Unrestricted Net Assets

No specific criteria exist for determining when an asset is an unrestricted net asset. It is the default category. If the asset does not meet the criteria for “capital assets, net of related debt” or “restricted net assets,” it should be reported as unrestricted. Designations of unrestricted net assets should not be reported on the face of the statement of net assets, but can be disclosed in the notes to the financial statements.

It is possible for the “unrestricted net assets” to be a negative number.

Statement of Activities

The statement of activities is a report on the results of the county’s operations. The statement presents the cost of each function and the extent to which each of the county’s functions, programs, or services either contributes to or takes away from the county’s general revenues.

The statement of activities distinguishes between governmental and business-type activities. Eliminations are required between and within the fund/programs of the primary government. Eliminating entries are not required between the primary government and its discretely presented component units. These transactions are considered external, and the receivables/payables between them should be reported on separate lines.

Internal service funds are not reported on the statement of activities unless they provide goods or services to entities outside the primary government.

Expenses/Functions

At a minimum, the statement of activities should present activities accounted for in governmental funds by function. The standards define a function as a group of activities aimed at accomplishing a major service or regulatory responsibility (for example, general government, public safety, or human services). All functions of a government have expenses. Some functions generate revenues.

The activities accounted for in the enterprise funds should be presented by different identifiable activities. The activity is identifiable if it has a specific revenue stream and related expenses and gains and losses accounted for separately.

The county should be careful in determining what level of detail it will present in the statement of activities. Programs may be presented for all or some functions. The statement, when too detailed, may be overwhelming for its users. The same level of detail is not required for each function.

Direct Expenses

Report all expenses by function, except the special or extraordinary items and transfers. At a minimum, counties should report direct expenses for each function. Direct expenses are those specifically associated with a service, program, or department and clearly identifiable to a particular function. All expenses reported in the enterprise fund financial statements (except special and extraordinary items) should be reported in the business-type activities function as direct expenses of that function.

Indirect Expenses

Indirect functions, such as general government, support services, or administration should report as direct expenses those expenses that are indirect expenses of other functions. However, counties may allocate some or all indirect expenses to other functions. If counties choose to allocate some or all indirect expenses, they must use a separate column in the statement of activities. A total column of direct and indirect expenses is optional.

Depreciation Expense

Depreciation expense should be reported on the statement of activities. Counties can use any systematic and rational depreciation method. Depreciation expense for capital assets that can be specifically identified with a function should be included in the direct expenses of that function. Depreciation expense for shared capital assets should be allocated to the functions sharing the assets.

If a capital asset, such as the county courthouse, serves essentially all functions and it is not practical to allocate the depreciation to those functions, that expense should be reported in a separate line or as part of the expenses of the general government function. If a county chooses a separate line, it should clearly indicate that the line excludes the direct depreciation reported in the specific functions. Depreciation may also be allocated through a separate indirect expense column.

Interest Expense

The interest on general long-term debt should be reported as a separate function. The interest expense function should include interest on bonds and notes, capital leases and other vendor financing arrangements, claims and judgments, pension-related debts, and employer net pension obligations.

In extreme situations, when the borrowing is essential to the creation or continuation of the program and omitting interest expense would be misleading (for example, loan programs), the interest on general long-term debt can be reported as a direct expense. Then, the interest expense function line should be clearly labeled to show that not all interest is reported there.

Interest expense in enterprise funds should be reported as direct expenses for those functions.

Revenues

Revenues are reported as either program or general revenues. Program revenues are generated directly by the program itself. Nonexchange revenues (except taxes) are program revenues if restricted to a specific program. If not restricted, they should be reported as general revenue. Taxes are always general revenues, even if restricted to a specific program. Revenues from the government itself (such as investment earnings) are usually general revenues.

Program Revenues

Program revenues reduce the expenses of the function/program that generates them and show the net costs of the function/program to be financed with general revenues. Generally, program revenues should not be allocated to multiple functions.

Program revenues include charges for services and program-specific operating and capital grants and contributions. Charges for services are to customers who purchase, use, or directly benefit from the goods, services, or benefits. The charges generally result from exchange or exchange-like transactions. They include fees for services, licenses, permits, fines, forfeitures, special operating assessments, and charges for interfund services. Charges for services should be reported net of any uncollectible amounts.

Charges for services are program revenues of a function/program that assesses the charge even if the money is required to be spent by a different function/program.

Operating revenues reported in enterprise funds should be reported as charges for services of business-type activities. Nonoperating revenues, with the exception of taxes and investment income, should also be reported as program revenues.

Program-specific grants and contributions, both operating and capital, arise from the transactions with other governments, organizations, or individuals that restrict the use of resources for particular purposes. They may be either mandatory or voluntary nonexchange transactions. The restrictions indicate the function/program where they should be reported. Not all grants and contributions are program revenues.

Operating grants and contributions are used to finance operations of specific functions/programs and should be reported separately from capital grants and contributions. Capital grants and contributions are restricted to purchasing, constructing, or renovating capital assets associated with a specific program.

Unrestricted grants and contributions should be reported as general revenues.

Earnings on endowments or permanent fund investments should be reported as program revenues if restricted to a program or programs specifically identified in the endowment or permanent fund agreement or contract. Also, earnings on investments not held by permanent funds may be legally restricted to specific functions or programs. Those earnings should be reported as program revenues.

General Revenues

General revenues include all revenues and gains that do not meet the definition of program revenues. The one exception is that taxes (including taxes levied for specific purposes) should always be reported as general revenues. Taxes should be reported by type of tax (property, sales, or other). General revenues also include gains from routine selling or disposing of capital assets. General revenues are reported in the statement of activities after the total net expense of the county's functions.

All general revenues, including taxes, should be reported net of estimated refunds and uncollectible amounts.

Shared revenues and entitlements should be reported in the same way as grants and contributions.

Investment income (including realized and unrealized gains and losses) should be reported as general revenues. Some possible exceptions include investment earnings with specific restrictions, such as legal restrictions on permanent fund investments or earnings on grants.

Investment income in enterprise funds should be reported as general revenues in the business-type activities column in the statement of activities.

Net Program (Expense) Revenue

Separate columns should be used to identify net program (expense) revenue for each function/program category of the governmental activities and business-type activities and for discretely presented component units.

*Contributions* to term and permanent endowments and permanent fund principal should be reported in a separate category after general revenues. They cannot be used to finance any function/program, so they cannot be reported as a reduction of functional expenses.

*Extraordinary and special items* should be reported in a separate category after general revenues and endowment and permanent fund contributions.

*Extraordinary items* are transactions or other events that are both unusual in nature and infrequent in occurrence. Examples of extraordinary items might include environmental or natural disasters.

*Special items* are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence (for example, the sale of certain capital assets, an early retirement program, or the forgiveness of significant debt). Transactions or other events that are either unusual or infrequent, but not within the control of management, should be disclosed in the notes to the financial statements.

Before classifying a transaction or event as extraordinary or special, a county should assess the materiality and significance of the transaction or event in the context of the financial statement in which it will be presented. Something significant or material in the fund financial statements may not be significant or material in the government-wide financial statements.

*Transfers* within the governmental or business-type activities are eliminated. The net amount transferred between the two types of activities should be reported as a single line after special items. Interfund payments in lieu of taxes (PILOTS) that are not payments for services (or are not reasonably equivalent to the value of services provided) should be reported as transfers.

Eliminations

Eliminations are necessary to report information about the overall county without displaying individual funds. Interfund activities and balances are eliminated to avoid inappropriate “grossing-up” of balances and activities.

Transactions between the primary government and discretely presented component units should be treated as if they are between unrelated third parties. No elimination should be made for these transactions in the primary government columns or the discretely presented component unit column(s). Payables and receivables between the primary government and discretely presented component units or between component units should be reported in separate lines in the statement of net assets.

Transactions between the primary government and blended component units should be reclassified or eliminated in the same way as internal activities and balances within the primary government. The eliminations or reclassifications will prevent the government from double counting.

First, transactions should be eliminated within the governmental activities column and business-type activities column and then separately in the primary government column for the balances between the governmental and business-type activities. An elimination column in the statements is not necessary. The internal balances can be reported in a single line in both governmental and business-type activities. One of them will be negative and they should add to zero.

Statement of Net Assets

To complete the statement of net assets, do the following eliminations:

1. Eliminate interfund receivables and payables between funds reported in the governmental activities column. Include internal service funds unless they are reported in the business-type activities column. Add the amounts together; receivables should equal payables. Eliminate both the asset and liability in the governmental activities column.

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2. Eliminate interfund receivables and payables between funds reported in the business-type activities column. Include internal service funds unless they are reported in the governmental activities column. Add the amounts together; receivables should equal payables. Eliminate both the asset and liability in the business-type activities column.
3. Eliminate interfund receivables and payables between governmental and business-type activities from the primary government column. Internal payables should equal internal receivables.
4. Reclassify amounts due from or to fiduciary funds as external receivables or payables.

Statement of Activities

The following internal or interfund activities should be analyzed for elimination or reclassification in the statement of activities.

1. Internal service fund. Only residual balances are reported. Internal revenues (except investment income) and expenses (except interest) should be netted. The difference should be charged back entirely or on a pro-rata basis to the funds/functions that used services or acquired goods from that internal service fund. That is, if the internal service fund reports net income, the entire amount should be charged back to the participating funds and would reduce their expenses related to the services and goods purchased from that fund.

Before allocating any of the balances, the county should consider their materiality. Also, instead of prorating balances to different functions, it may be sufficient to allocate the entire amount to the predominant function--that is, if such failure to allocate would not materially affect the government-wide financial statements. The revenues and expenses associated with services provided to external customers should be excluded from this allocation.

2. Interfund activity similar to internal service fund charges. When a different fund than internal service (for example, general fund) provides services to other funds and reports the charges as revenue, both amounts (revenue and expense) should be eliminated. If the fund providing the service reports the charges as a reduction of its own expenses (that is, as an interfund reimbursement), the elimination is not necessary.
3. Allocation of overhead expenses. Although not acting as internal service funds, some funds charge other funds for what are, in effect, allocations of overhead expenses. These allocations should be treated the same way as interfund activity.
4. Interfund services provided and used (quasi-external transactions). The “like external” sales and purchases of goods or services should not be eliminated.
5. Transfers within the governmental or business-type activities have to be eliminated. The net amount transferred between both types of activities should be reported on a single line after extraordinary and special items.
6. Transactions between different functions but within the same fund should be eliminated. They should be reported in the function to which they were allocated.

SUBJECT:

Fund Financial Statements

PURPOSE:

To describe minimum requirements for the fund financial statements on the different measurement focuses and the full/modified accrual bases of accounting.

PRINCIPLES:

Fund Types

Funds are classified into one of three basic fund types: governmental, proprietary, or fiduciary.

The *governmental* fund type consists of:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Permanent Funds

The *proprietary* fund type consists of:

- Enterprise Funds
- Internal Service Funds

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Although internal service funds are classified in the proprietary fund type (and are reported as such in the fund financial statements), they should generally be included as part of the governmental activities in the government-wide financial statements. If an internal service fund's predominant customers are external entities or enterprise funds, it would be reported with the business-type activities in the government-wide financial statements.

The *fiduciary* funds are limited to account for resources that are not available to support the county's operations and programs. This fund type includes:

- Private-Purpose Trust Funds
- Pension (and Other Employee Benefit) Trust Funds
- Investment Trust Funds (GASB Statement 31)
- Agency Funds (If the agency fund holds amounts for other funds of the county, those amounts would be reclassified to the appropriate fund for financial statement reporting.)

Major Funds

The governmental and proprietary fund financial statements have to provide financial information for each major fund in a separate column. Major funds represent the county's most important funds and are determined by a mathematical calculation. However, funds that do not meet the major fund mathematical criteria may be reported as major if they are of particular importance or interest to users. A county should consider the following factors when deciding to report other funds as major funds:

- Political/social sensitivity of the activities financed from that fund,
- Impact or potential impact of that fund on other programs or services,
- Significance of that fund on financing activities that are of high interest to the public,
- Existence of known uses or users of that information (such as bond rating companies),
- Relative size, and
- Year-to-year consistency in reporting.

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Major fund reporting applies only to governmental and enterprise funds. It does not apply to internal service or fiduciary funds. The determination of which funds are major must be made each year. The general fund is always reported as a major fund.

Governmental and enterprise funds are required to be reported as major funds if they meet the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses (of the year being reported) of that individual fund are at least ten percent of the corresponding element total (assets, liabilities, etc.) for all funds of that category or type (either total governmental funds or total enterprise funds); and
2. The same element (assets, liabilities, etc.) that met the above ten percent is at least five percent of the corresponding element total for all governmental and enterprise funds combined.

A spreadsheet is available on the Office of the State Auditor's website at [www.osa.state.mn.us](http://www.osa.state.mn.us) to help in determining major funds. However, while using the spreadsheet, remember:

1. The individual fund has to meet both criteria to be required to be reported as a major fund.
2. No elimination of interfund balances are necessary to apply the criteria, although significant amounts of interfund payables and receivables may be netted.
3. Total revenues means all revenues--both operating and nonoperating revenues of enterprise funds, including capital contributions. It does not include other financing sources, transfers, or extraordinary items.
4. Total expenditures/expenses means all expenditures or expenses--both operating and nonoperating expenses of enterprise funds. It does not include other financing uses, transfers, or extraordinary items.
5. The test should be applied to the amounts reported in the fund financial statements of the current year being reported.

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Nonmajor Funds

Nonmajor funds should be aggregated and reported in a single column to the right of the major funds in the financial statements. It is not permitted to use more than one column for nonmajor funds. Interfund transactions and balances may be, but are not required to be, eliminated when nonmajor funds are combined.

If there are no major enterprise funds, all enterprise funds should be reported in one column and the internal services in a second column on the proprietary funds financial statements. Internal service funds will always be combined into one column to the right of the major and aggregated nonmajor enterprise funds on the proprietary funds financial statements.

Combining statements for nonmajor funds are presented as supplementary information.

On the balance sheet, any unreserved fund balances of nonmajor funds should be displayed by fund type.

Fiduciary funds are to be reported in the fund financial statements by fund type--pension trust, investment trust, private purpose trust, or agency.

PROCEDURES:

Governmental Funds' Financial Statements

Governmental funds should be reported using the current financial resources measurement focus and the modified accrual basis of accounting. A reconciliation of total governmental fund balances to net assets of the governmental activities in the statement of net assets is required. The reconciliation may be presented either at the bottom of the balance sheet or in an accompanying schedule.

Balance Sheet

The financial information is required to be reported in separate columns for the general fund, each major governmental fund, and all nonmajor governmental funds in the aggregate. Current assets, liabilities, and fund balances of the governmental funds should be displayed in a balance sheet format:  $\text{Current Assets} = \text{Current Liabilities} + \text{Fund Balance}$ . Capital assets and general long-term liabilities are not reported in the governmental fund balance sheet. They are reported only in the government-wide financial statements.

When preparing the governmental funds' balance sheet, remember:

- Unreserved fund balances of nonmajor funds should be reported by fund type.
- Interfund liabilities should be reported as fund liabilities regardless of their date of scheduled repayment. Interfund loans may be reported as short-term or long-term liabilities depending on their conditions. Fund balances should be reserved for noncurrent interfund receivables.
- Equity interest in joint ventures should not be reported as an asset in the governmental funds' balance sheet, except for amounts that meet the definition of financial resources (that is, receivables from/payables to the joint ventures). All equity interest should be reported in the government-wide financial statements.
- A reconciliation that shows adjustments made between the balance sheet and the government-wide statement of net assets is required on the bottom of the balance sheet.

Statement of Revenues, Expenditures, and Changes in Fund Balance

The governmental funds' statement of revenues, expenditures, and changes in fund balance reports information about the inflows, outflows, and balances of current financial resources of each major governmental fund and for the nonmajor governmental funds in the aggregate. The statement is arranged:

Reporting (Continued)

Revenues (detailed)  
Expenditures (detailed)

Revenues over (under) expenditures

Other financing sources and uses, including transfers (detailed)  
Special and extraordinary items (detailed)

Net change in fund balances

Fund balances - beginning  
Fund balances - ending

When preparing the governmental funds' statement of revenues, expenditures, and changes in fund balance, remember:

- The governmental fund statements should classify revenues by major source (taxes, licenses and permits, etc.) and expenditures by function (general government, public safety, highways and streets, human services, etc.). Additional details may be included.
- Debt issue costs paid out of either debt proceeds or from existing resources should be reported as expenditures. When debt is issued, the face amount of the debt should be reported as other financing sources, and debt premiums or discounts should be shown as a separate component of other financing sources (uses).
- Sales of assets (unless considered a special item) and transfers should also be shown as separate categories of other financing sources (uses).
- Extraordinary and special items should be separated after other financing sources (uses).

Counties are required to provide a summary reconciliation between total change in governmental fund balances and the change in net assets in governmental activities in the statement of activities. The reconciliation may be presented either on the statement of revenues, expenditures, and changes in fund balance or in an accompanying schedule.

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Proprietary Funds' Financial Statements

Proprietary funds are presented using the economic resources measurement focus and the full accrual basis of accounting, the same way as in the government-wide financial statements. Each major enterprise fund, all nonmajor enterprise funds in the aggregate, and all internal service funds in the aggregate are reported (in separate columns) in the proprietary funds' financial statements.

The following are required fund financial statements for proprietary funds:

- Statement of net assets (or balance sheet);
- Statement of revenues, expenses, and changes in fund net assets; and
- Statement of cash flows.

The statements should include a combined total column for all enterprise funds. The information in that column flows directly to the business-type activities column on the government-wide financial statements. Interfund eliminations within enterprise funds are not required.

Statement of Fund Net Assets or Balance Sheet

Governments have the option of two reporting formats: statement of net assets format (assets minus liabilities equal net assets) or balance sheet format (assets equal liabilities plus net assets).

The assets and liabilities should be presented in a classified format. This requires reporting assets and liabilities as either current or noncurrent. A one-year cut-off is typical when determining if assets are expected to be realized in cash or consumed and liabilities are expected to be paid. Current assets include cash available from current operations, receivables, inventories, prepaid expenses, and investments. Current liabilities include accounts payable, notes payable, amounts due to other funds, current portions of long-term debt, current portions of compensated absences, and claims and judgments payable.

Restricted assets are reported as a separate line item. Restrictions are required to be reported for assets restricted for use other than operations, assets restricted for the acquisition or construction of noncurrent assets, and assets restricted for sinking funds or for the liquidation of long-term debts. Most restricted assets are noncurrent. However, restricted assets to be used in current operations (for example, certain grants) should be reported as current assets. Liabilities payable from restricted assets may be reported separately.

Fund net assets should be reported in three components:

- Invested in capital assets, net of related debt;
- Restricted (list by major restriction); and
- Unrestricted.

If internal service funds are reported as business-type activities in the government-wide statement of net assets, a reconciliation may be necessary between the statement of fund net assets and the government-wide statement of net assets.

Statement of Revenues, Expenses, and Changes in Fund Net Assets

A specific format is required for this statement:

- Operating revenues (detailed)
- Operating expenses (detailed)
- Operating income (loss)
- Nonoperating revenues and expenses (detailed)
- Income before other revenues, expenses, gains, losses, and transfers
- Capital contributions (detailed)
- Additions to permanent and term endowments (detailed)
- Special items (detailed)
- Extraordinary items (detailed)
- Increase (decrease) in net assets
- Net assets - beginning of period
- Net assets - end of period

This is an all-inclusive format. All transactions (including capital contributions) that affect net assets should be included. No amounts may be reported as direct additions to net assets.

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Revenues should be reported by major source. All revenues should be reported net of discounts and allowances, which should be reported parenthetically or in the notes to the financial statements. Uncollectible amounts should not be reported as expenses but as an adjustment to revenues.

Revenues and expenses should distinguish between operating and nonoperating. Counties should establish their own policy for defining operating and nonoperating revenues and expenses, and the policy should be disclosed in the notes to the financial statements. The following revenues usually would be considered nonoperating:

- Operating grants and contributions and grants and contributions that are not restricted to either operating or capital functions.
- Property or other taxes.
- Exchange-like transactions that are restricted for capital or financing purposes.
- Interest and dividends and realized and unrealized gains or losses on investments.
- Interest expense, debt issue expenses, and premiums or discounts on debt.

Counties should consider the nature of the activity being reported when classifying the revenues in the financial statements.

Both operating and nonoperating expenses may be detailed at the object or function level.

If the amounts differ between the statement of revenues, expenses, and changes in fund net assets and the business-type activities presented in the government-wide statement of changes in net assets, counties should present a summary reconciliation.

Statement of Cash Flows

For proprietary funds, a statement of cash flows is required and is prepared using the direct method of cash flows. The statement should consist of the following sections:

- Ⓒ Cash flows from operating activities.
- Ⓒ Cash flows from noncapital financing activities.
- Ⓒ Cash flows from capital and related financing activities.
- Ⓒ Cash flows from investing activities.
- Ⓒ The change for the year in cash and cash equivalents.
- Ⓒ Reconciliation of operating income (loss) to net cash provided (used) by operating activities.

Also, if applicable, a section identifying significant non-cash transactions should be included. If not clearly evident from the statement, the ending amount of cash and cash equivalents should reconcile with the statement of net assets.

Fiduciary Funds' Financial Statements

Two statements are required for fiduciary funds: statement of fiduciary net assets and statement of changes in fiduciary net assets. The fiduciary statements are prepared using the economic resources measurement focus and full accrual basis of accounting.

Major fund reporting does not apply to fiduciary funds. Component units that are fiduciary in nature should be reported within the fund type columns with the fiduciary funds of the primary government--a separate column for fiduciary component units should not be presented.

Agency funds should be reported in the statement of net assets, and fund assets should equal fund liabilities. Agency funds do not have operations and should not be reported in the statement of changes in fiduciary net assets.

Statement of Fiduciary Net Assets

This statement should include information about the assets, liabilities, and net assets for each fiduciary fund type and similar discretely presented component units. Since the statement of fiduciary net assets is an equivalent to the statement of plan assets required by GASB Statement 25, the county should provide a sufficient level of detail to meet both requirements. If not, the county should clearly indicate where else that information is displayed.

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Net assets should be labeled based on the purpose for which they are held in trust, such as “held in trust for investment pool participants.”

Statement of Changes in Fiduciary Net Assets

The statement of changes in fiduciary net assets should include information about the additions to, deductions from, and net increase (decrease) for the year in net assets for each fiduciary fund type and similar discretely presented component units. It should provide information about significant year-to-year changes in net assets. The county should provide additional details about investments and provide the required level of detail for all other fiduciary funds or clearly indicate where that information is displayed.

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SUBJECT:

Notes to the Financial Statements

PURPOSE:

To describe minimum requirements for the notes to the basic financial statements.

PRINCIPLES:

The notes to the financial statements are intended to communicate information necessary for a fair presentation of financial position and results of operations that is not readily apparent from, or cannot be included in, the financial statements themselves. The notes are an integral part of the financial statements and should supplement them.

Notes to the financial statements may be in various formats, such as narrative, tables, schedules, or matrices, as long as they include the required information.

PROCEDURES:

The presentation format for note disclosures is open to professional judgment. The only specific requirement addressed in authoritative guidance concerns the summary of significant accounting policies (SSAP). The SSAP must be either a separate disclosure at the beginning of the notes or at the beginning of the first note. The authoritative guidance addresses the content of the notes but does not prescribe a particular format. It is the responsibility of the preparer to present the note disclosures in the manner that most effectively (and concisely) provides the information necessary for fair presentation.

The authoritative literature requires that financial statements be accompanied by a SSAP. The SSAP should include any of the following situations:

- The selection of a policy from existing acceptable alternatives (for example, depreciating infrastructure assets rather than using the modified approach).

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- Principles and methods peculiar to the industry in which an entity operates (for example, defining the governmental reporting entity).
- Unusual or innovative applications of generally accepted accounting principles.

The preparer may use any note disclosure sequence that is logical and consistent. Section 4XXX contains some sample note disclosures. While note disclosures themselves should be indexed in a logical manner, a separate index page (similar to a table of contents) for the note disclosures is not necessary.

Note disclosures should be included only for information specifically applicable to the entity. Negative disclosures should be avoided. For example, if a county does not have any material subsequent events, then references should not be made to subsequent events. The notes should focus on the primary government--specifically, its governmental activities, business-type activities, major funds, and nonmajor funds in the aggregate.

Certain information may be presented either on the face of the financial statements or in the notes to the financial statements. Disclosure in the notes to the financial statements is needed only when the information required to be disclosed is not displayed on the face of the financial statements.

Notes to the financial statements essential to fair presentation in the basic financial statements include:

1. Summary of significant accounting policies, including:
  - a. A description of the government-wide financial statements, noting that neither fiduciary funds nor component units that are fiduciary in nature are included. This section could include descriptive comments about the purposes and scope of the statements of net assets and activities. For example, disclosures could address what are governmental and business-type activities, why fiduciary funds and similar component units are not included, what are the components of net assets, and what are the key elements of the statement of activities. This discussion differs from that in the Management's Discussion and Analysis which is oriented more toward the relationship of the government-wide financial statements to the fund financial statements.

- b. A brief description of the component units of the reporting entity and their relationship to the county. This should include a discussion of the criteria for including the component units and how the component units are reported. Also, it should include information about how the separate financial statements for individual component units may be obtained.
- c. A description of the activities accounted for in each of the following columns--major funds, internal service funds, and fiduciary fund types--presented in the basic financial statements.
- d. The measurement focus and basis of accounting used in the government-wide statements.
- e. The revenue recognition policies used in fund financial statements, including the length of time used to define *available* for purposes of revenue recognition in the governmental fund financial statements.
- f. The policy for eliminating internal activity in the government-wide statement of activities. The disclosure is intended to give readers a general understanding of how internal activity is reported in the statement of activities. For example, the policy could explain that direct expenses (charges based on actual use) are not eliminated, whereas indirect expense allocations made in the funds are reversed (unless reported in the separate column). Similarly, the note could explain generally which internal payments are reported as program revenues and which ones reduce the expenses of the reimbursed programs.
- g. The policy for capitalizing assets and for estimating useful lives of those assets (used to calculate depreciation expense). Governments that choose to use the modified approach for reporting eligible infrastructure assets should describe that approach.
- h. A description of the types of transactions included in program revenues and the policy for allocating indirect expenses to functions in the statement of activities.
- i. The policy for defining operating and nonoperating revenues of proprietary funds.
- j. The policy for applying FASB pronouncements issued after November 30, 1989, to business-type activities and to enterprise funds of the primary government.

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- k. The definition of cash and cash equivalents used in the statement of cash flows for proprietary funds.
  - l. The county's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Does the county expend restricted funds only when unrestricted amounts are insufficient or unavailable, or do they spend restricted funds first and use unrestricted resources when restricted funds are depleted (for example, tax increment monies)?
2. Cash deposits with financial institutions.
  3. Investments.
  4. Significant contingent liabilities.
  5. Encumbrances outstanding.
  6. Significant effects of subsequent events.
  7. Annual pension cost and net pension obligations.
  8. Significant violations of finance-related legal or contractual provisions and actions taken to address such violations.
  9. Debt service requirements to maturity. Requirements should be shown separately by year for each of the five subsequent years and in five-year increments thereafter. Also, principal must be shown separately from interest for each of those years.
  10. Commitments under noncapitalized (operating) leases.
  11. Construction and other significant commitments.
  12. Required disclosures about capital assets. The information provided should be divided into major classes of capital assets as well as between those associated with governmental activities and those associated with business-type activities. Capital assets that are not being depreciated should be disclosed separately from those that are being depreciated. Information presented should include beginning and end-of-year balances

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- (with accumulated depreciation presented separately from historical cost), capital acquisitions, sales or other dispositions, and current-period depreciation expense, with disclosure of the amounts charged to each of the functions in the statement of activities.
13. Required disclosures about long-term liabilities. The information provided should be divided into major classes of long-term liabilities as well as between those associated with governmental activities and those associated with business-type activities. Both long-term debt (such as bonds, notes, loans, and leases payable) and other long-term liabilities (such as compensated absences and claims and judgments) should be included. Information presented about long-term liabilities should include beginning and end-of-year balances, increases and decreases (presented separately), the portions of each item that are due within one year of the financial statement date, and which governmental funds typically have been used to liquidate other long-term liabilities in prior years.
  14. Deficit fund balance or net assets of individual nonmajor funds.
  15. Interfund receivables and payables.
  16. For each major component unit, the nature and amount of significant transactions with other discretely presented component units or with the primary government.
  17. Disclosures about donor-restricted endowments.

The above notes to the financial statements are not all-inclusive, and additional disclosures should be made, if applicable. Some possible additional disclosures include:

1. Entity risk management activities.
2. Property taxes.
3. Segment information for enterprise funds.
4. Condensed financial information for major discretely presented component units.
5. Short-term debt instruments and liquidity.
6. Related party transactions.

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7. The nature of the primary government's accountability for related organizations.
8. Capital leases.
9. Joint ventures and jointly-governed organizations.
10. Debt refundings.
11. Nonexchange transactions, including grants, taxes, and contributions, that are not recognized because they are not measurable.
12. Fund balance designations.
13. Interfund eliminations in fund financial statements not apparent from headings.
14. Pension plans.
15. Bond, tax, or revenue anticipation notes excluded from fund or current liabilities (proprietary funds).
16. Nature and amount of inconsistencies in financial statements caused by transactions between component units having different fiscal year-ends or changes in component unit fiscal year-ends.
17. In component unit separate reports, identification of the primary government in whose financial report the component unit is included and a description of its relationship to the primary government.
18. Reverse repurchase and dollar reverse repurchase agreements.
19. Securities lending transactions.
20. Special assessment debt and related activities.
21. Demand bonds.
22. Post-employment benefits other than pension benefits.

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23. Landfill closure and postclosure care.
24. On-behalf payments for fringe benefits and salaries.
25. Entity involvement in conduit debt obligations.
26. Sponsoring government disclosures about external investment pools reported as investment trust funds.
27. The amount of interest expense included in direct expenses in the government-wide statement of activities.
28. Significant transactions or other events that are either unusual or infrequent but not within the control of management.
29. Nature of individual elements of a particular reconciling item if obscured in the aggregated information in the summary reconciliation of the fund financial statements to the government-wide statements.
30. Discounts and allowances that reduce gross revenues when not reported on the face of the financial statements.

Governments may elect to report budgetary comparison information in a budgetary comparison statement as part of the basic financial statements rather than as required supplementary information. If the budgetary comparison information is included in the basic financial statements, the notes should include disclosures of any excess of expenditures over appropriations in individual funds presented in the budgetary comparison statements.

Section 4XXX provides a suggested disclosure sequence for the notes to the financial statements.

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SUBJECT:

Required Supplementary Information

PURPOSE:

To describe required supplementary information.

PRINCIPLES:

Required supplementary information (RSI) consists of schedules, statistical data, and other information that the Governmental Accounting Standards Board (GASB) has determined are an essential part of financial reporting and should be presented with, but not part of, the basic financial statements of a governmental entity. With the exception of the Management's Discussion and Analysis (MD&A), all RSI should be presented immediately following the notes to the basic financial statements. GASB requires as RSI:

- C MD&A;
- C Budgetary comparisons;
- C Infrastructure condition and maintenance data, if using the modified approach;
- C Pension trend data; and
- C Revenue and claims development trend data for public entity risk pools.

PROCEDURES:

MD&A

The MD&A should provide the users with an introductory narrative, overview, and analysis of the basic financial statements. Although it is RSI, the MD&A should be presented before the basic financial statements. It introduces the basic financial statements and notes and is meant to guide the readers through those statements and notes.

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The MD&A should be written by the county auditor, finance manager, controller, administrator, or someone in a similar position. It should be objective and easily readable. The objectivity is a result of being solely based on information that comes from the basic financial statements and facts currently known by management. It should discuss both positive and negative outcomes of the county's operations. Counties are encouraged to use charts, graphs, and tables to enhance the understandability of the MD&A.

The MD&A should focus on the primary government. The decision whether to address matters related to component units depends on the size of a particular component unit in comparison with other discretely presented component units and the nature of its relationship with the primary government. Any discussion in the MD&A involving both the primary government and its discretely presented component units must be distinguishable between the two.

The content of the MD&A is a specifically required set of information that the county must address. Since the MD&A is a required part of RSI, it should not contain additional topics that are not specified in this section. However, the county is free to provide whatever level of detail it feels is appropriate in addressing each topic.

Discussion of the Basic Financial Statements

The discussion portion of the MD&A should describe the financial statements and the significant differences in the kinds of information each statement provides. It should focus on the relationship between governmental funds and governmental activities.

Condensed Comparative Financial Data

The MD&A should provide condensed financial statements derived from the government-wide financial statements for both the current and prior fiscal period. Comparative data should be provided for:

- Total assets, distinguishing between capital and other assets.
- Total liabilities, distinguishing between long-term and other liabilities.
- Total net assets, distinguishing between amounts invested in capital assets net of related debt, restricted amounts, and unrestricted amounts.
- Program revenues, by major source.

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Reporting (Continued)

- General revenues, by major source.
- Total revenues.
- Program expenses, by function.
- Total expenses.
- Excess (deficiency) before contributions, special and extraordinary items, and transfers.
- Contributions.
- Special and extraordinary items.
- Transfers.
- Change in net assets.
- Ending net assets.

The above information should be presented in the form of condensed financial statements. The government may use graphs or charts to supplement or elaborate the statements, but not to replace them.

Overall Analysis of Financial Position and Results of Operations

The MD&A should discuss and analyze the county's financial position and results of operations. This discussion and analysis needs to address whether the county's overall financial position has improved or deteriorated. The MD&A should provide *reasons* for the significant changes in financial position, not just the changes and their size or percentage of change. The overall analysis discussion needs to address separately the governmental and business-type activities and should emphasize the current year.

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Fund Analysis

The fund analysis focuses on significant balances and operations of individual major funds. The discussion should emphasize the reasons for significant changes in fund balances (governmental funds) or fund net assets (proprietary funds). Additional information should be provided on any significant limitations on the future use of fund resources.

Budget Variances in the General Fund

The MD&A should address, on a budgetary basis, the significant differences between:

- The original budget for the general fund and the final amended budget, and
- The final amended budget for the general fund and the actual amounts.

The analysis should give reasons for variances if they significantly affect either future services or liquidity.

Capital Asset and Long-Term Debt Activity

The MD&A should describe significant changes in:

- Capital assets,
- Long-term debt,
- Commitments for capital expenditures, and
- Debt limitations that could affect the financing of planned facilities or services.

This section is not intended to repeat information provided in the notes, but should be summarized and referenced to the more detailed information provided in the notes.

Infrastructure

Counties that elect to use the modified approach to infrastructure reporting should discuss all of the following in the MD&A:

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Reporting (Continued)

- Significant changes in condition levels of infrastructure assets.
- How current condition levels compare with target condition levels established by the county.
- Significant differences between the amount estimated to be necessary for maintaining and preserving infrastructure assets at target condition levels and the actual amounts of expense incurred for that purpose during the current fiscal period.

Other Potentially Significant Matters

The MD&A should also address any currently known facts, decisions, or conditions that are expected to have a significant effect on financial position. This discussion should be based on events or decisions that have already occurred or have been enacted, adopted, agreed upon, or contracted. In some instances, issues discussed here will also be disclosed in the notes to the financial statements as subsequent events or contingencies. The discussion should also address the effect on governmental and business-type activities separately.

Examples of the types of situations for such reporting are:

- Award and acceptance of a major grant.
- Adjudication of significant lawsuit.
- Reassessment of taxable property.
- Completion of an agreement to locate a major manufacturing plant in the county.
- A flood that caused significant damage to the county's infrastructure.
- A renegotiated labor contract with government employees.

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BUDGETARY COMPARISONS SCHEDULES

Budgetary comparison schedules should be presented in the RSI for the general fund and each major special revenue fund that has a legally adopted annual budget. However, counties may elect to report the budgetary comparison information in a budgetary comparison statement as part of the basic financial statements (with the fund financial statements after the related statement of changes in revenues, expenditures, and changes in fund balance), rather than as RSI. The format and contents of the budgetary comparisons are the same in either case.

Budgetary comparison schedules should provide at least three separate types of information.

1. *The original budget*--the first complete legally appropriated budget adjusted for changes occurring before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law.
2. *The final budget*--including all legally authorized changes occurring during and after the end of the fiscal year.
3. *Actual inflows, outflows, and balances*--these should be reported on the same basis as the legally adopted budget.

Notes to RSI should disclose an explanation of the excesses of expenditures over appropriations in individual funds presented in the budgetary comparisons. If budgetary comparison information is included in the basic financial statements, these disclosures should be in the notes to the financial statements rather than the notes to RSI. If the excess of expenditures over appropriations is considered a material violation of legal provisions, the disclosure should be made in the notes to the financial statements also.

Counties may present the budgetary comparison schedules using the same format, terminology, and classification as the budget document or using the format, terminology, and classifications in a statement of revenues, expenditures, and changes in fund balances. Regardless of the format used, the schedule should be accompanied by information that reconciles budgetary information to generally accepted accounting principles information. The reconciliation may be in a separate schedule in the notes to RSI.

INFRASTRUCTURE CONDITION AND MAINTENANCE DATA

Counties that follow the modified approach have to present the following information for all infrastructure reported using that method:

1. The results and dates of the three most recently completed condition assessments to demonstrate the assets have been maintained at or above the condition level established.
2. The estimated annual amount needed and actual amount expensed to maintain or preserve infrastructure assets at the level established, with each presented for the past five reporting periods. The estimated annual amount must be determined using the assets management system. It should be calculated at the beginning of the fiscal year and documented providing an auditor with information necessary for the comparison of estimated and actual amounts.

These schedules should be accompanied by the following disclosures as notes to RSI:

- The basis for the condition measurement and the measurement scale used to assess and report the condition.
- The condition level at which the county intends to preserve its infrastructure assets reported on the modified approach.
- Factors that significantly affect trends in the information reported in the required schedules, including any changes in the measurement scale, the basis for the condition measurement, or the condition assessment methods used during the periods covered by the schedules. If there is a change in the condition level at which the county intends to preserve the eligible infrastructure assets, an estimate of the effect of the change on the estimated annual amount to maintain and preserve those assets for the current period should be disclosed.

PENSION TREND DATA

Governments that administer defined benefit pension plans must present a schedule of funding progress and a schedule of employer contributions as RSI. Since no counties currently administer defined benefit pension plans, examples are not included here. Information on required disclosures may be obtained in GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans*, and GASB Statement No. 27, *Accounting for Pensions by State and Local Governments*.

Revenue and Claims Development Trend Data for Public Entity Risk Pools

Governments that sponsor public entity risk pools must present tables of information on revenues and claims development trends for the pools. Since no counties currently sponsor public entity risk pools, examples are not included here. Information on required disclosures may be obtained in GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, Statement No. 30, *Risk Financing Omnibus*, and Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

SUBJECT:

Minimum Budgeting

PURPOSE:

To develop a rational plan within each county for raising and spending financial resources.

DEFINITIONS:

A *budget* is a forecast of expected resources and the purposeful distribution of those resources. When a budget is appropriated by resolution, it provides both the right to spend and limits the amount to be spent.

An *original budget* is the first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year.

A *final amended budget* is a term used in budgetary reporting. The original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable to the year, signed into law or otherwise legally authorized.

PROCEDURE:

An annual budget must be adopted by every governmental unit to plan and control the financial operations of the governmental funds. However, the financial resources available (through taxes, licenses, etc.) during the period are substantially unrelated to the demand for the goods and services financed through them. Therefore, the planning process involves determining the levels of services to be provided and allocating available resources among various governmental departments, programs, or functions.

Upon adoption by the county board, the expenditure estimates and the annual budget, as modified, are appropriated to the various operational entities within the county. The appropriations constitute maximum expenditure authorizations during the fiscal year and cannot legally be exceeded unless subsequently amended by the board.

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Budget amendments should receive the same attention at the county board level as the enactment of the original budget. That is, the board should pass a formal resolution including dollar amounts of budget amendments.

SUBJECT:

Suggested Budgeting

PURPOSE:

To expand the annual budget by providing:

- N Budgetary controls within the accounting system of a county.
- N Appropriate budgetary comparison on the financial statements and budget/expenditure reports.

PROCEDURE:

The annual appropriation made by a county's legislative body becomes the operating budget of the various departments within the county. Consequently, all counties have the capability of holding department heads accountable for operating within their budgets. However, this capability is meaningless unless periodic comparisons of budgets to actual spending are made. When spending deviates from budget, the county board can investigate the reasons and take appropriate action to resolve any problem indicated by the deviations.

While there may be a tendency to view deviations from budget in terms of overspending, there may also be instances of over-budgeting. These can occur because programs that were to be started were delayed, or people expected to be hired were either not needed, the hiring was delayed, or other funding (grants, etc.) became available.

In either instance (over-spending or over-budgeting), an appropriate ongoing comparison between budgets and spending allows the county board or other county legislative body to rationally reallocate resources and be accountable to the public.

Depending on the accounting system maintained, these comparisons can be made at whatever level and as often as is deemed most useful to the board. Some will find monthly comparisons at the program or service level most useful.

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Elements of a Budget System

In order to work effectively, a budget system should provide for:

1. A structure which presents data in categories reflecting the organization's objectives.
2. Continual analysis by each organization of how its plan meets these objectives.
3. Alternative objectives and alternative plans for meeting these objectives.
4. An integrated planning/budgeting process incorporating data that are meaningful for decision making.
5. Broad planning decisions in a budget context.
6. Timely presentation of plans and financial data for action by the legislative body.

In short, the system must allow decision makers to see how resources can be used to meet objectives.

SUBJECT:

Program-Oriented Budgeting

PRINCIPLE:

Accounting data should be oriented primarily to organizational responsibilities.

RATIONALE AND BENEFITS:

There is increased emphasis at all levels of government to achieve program objectives with efficiency and economy. This underscores the need for performance budgeting. The key element in this type of evaluation is the ability to measure each activity in terms of work performed for the monies allocated. While performance budgeting relates expenditures to measurement of services provided, planning-programming-budget systems (PPBS) add a multi-year planning concept to this approach and provide analyses of the costs of alternative means of attaining objectives.

The idea of responsibility accounting reflects the fact that planning and control are attained through people. The concept of profit-center and responsibility-center accounting requires that both the chart of accounts and internal accounting reports be designed to correspond with the organizational responsibility of individual managers.

These accounting goals are not necessarily inconsistent with the concept of fund accounting. The actual results accumulated through the accounting system are comparable with budget standards. The comparison of actual results for one period with the actual results of prior periods (or with budget standards of the current period) provides a meaningful evaluation. Many specific fund activities may also be organized according to unique individual responsibilities. Many enterprise fund activities and a significant number of programs lend themselves to this type of analysis.

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IMPLEMENTATION:

Approaches

Implementing the concepts of program-oriented budgeting within the framework of fund accounting can be planned. Initial steps would include:

- N Establishing lines of responsibility which are congruent with fund, program, enterprise, or other activity levels.
- N Measuring current performance and meeting program objectives in relationship to cost.
- N Considering alternative services and accomplishment levels on a responsibility basis.
- N Statistically summarizing data of past performances.

SUBJECT:

Long-Range Planning

RATIONALE AND BENEFITS:

The purpose of long-range planning is to provide a better understanding (for departments, administrators, board members, and citizens) of the activities and functions the county performs and the resources needed to continue or extend these services. If properly managed, long-range planning will reduce the extent to which immediate crises dominate a county's budgeting and resource allocation decisions.

Each fund or department should develop long-range plans of its activities. These plans should contain descriptions of departmental goals, its service recipients or customers, and other performance criteria. Where specific problems or projects are foreseen, the plan should describe the problem and discuss the costs and benefits of alternative solutions, indicating which solution is preferred and why. These departmental or functional long-range plans should be coordinated into a comprehensive plan for the entire county.

At the same time, the county should be estimating its probable resources. Administrative and legislative officials should review and adjust the long-range plans to meet resource projections.

In order to be effective, long-range planning needs to be a continuous process; updating long-range plans should be performed at the beginning of the annual budget process.

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**SECTION 4000**

**SPECIFIC PRACTICES**

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In this section, the specific accounting, budgeting, reporting, and cash management practices to be used by Minnesota counties are described. The function of this section of the manual, as distinguished from the prior section of Standard Procedures is:

- N Standard Procedures--the accepted accounting, reporting, budgeting, and internal control rules.
- N Specific Practices--the process that counties should implement so they can move toward achieving the standards.

For example, the “cash basis” of accounting is presently used for record keeping by most Minnesota counties. Under this basis of accounting, revenues are accounted for only when received in cash, and expenditures are accounted for only when cash is paid out. There is general agreement that this approach will continue to be used by most of the county users of this manual during the accounting year.

The specific practices recognize this. However, at the close of each fiscal year, for reporting purposes, the county’s records are required to be adjusted to show taxes due and other revenues earned during the year for which no cash has yet been received and to adjust for cash received that relates to the prior year. The records must also show all expenditures made during the year from which the county has received benefits, but for which it has not yet made a cash outlay. Counties could institute practices whereby they could use the modified accrual accounting basis as an ongoing practice for some of its interim reporting.

The specific practices are divided into the following sections:

Accounting

- N The Accounting Structure
- N Accounting Concepts Regulating the Accounting Process
- N Accounting System Records

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SPECIFIC PRACTICES

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Overview (Continued)

Page 2

- N Use of Funds
- N Classification of Revenues
- N Interfund, Internal, and Intra-Entity Activity

Reporting

- N County Financial Statements
- N Preparing Fund Financial Statements
- N Preparing Government-Wide Financial Statements
- N Annual Financial Reporting Requirements
- N Suggested Interim Reporting
- N Financial Statement Publication

Budgeting

- N Preliminary Budget Preparation
- N Annual Operating Budget
- N Utilizing the Budget as a Management Tool
- N Annual Summary Budget Publication and Reporting

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SPECIFIC PRACTICES

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Overview (Continued)

Page 3

Cash Management

- N Petty Cash Accounts
- N Bank Account Reconciliations
- N Monitoring Cash Balances
- N Electronic Funds Transfers
- N Use of Credit Cards

In the future, as they are identified, other specific practices will be included in the manual.

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**Minnesota County Financial Accounting & Reporting Standards**

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SUBJECT:

The Accounting Structure

PURPOSE:

To illustrate the means of identifying and recording accounting transactions.

PRINCIPLES:

Each county fund can use the Uniform Chart of Accounts as the medium to record all transactions. To aid in record keeping and effective presentation of financial information, general ledger accounts are classified into two groups:

1. Balance Sheet Accounts--assets, liabilities, and fund equity.
2. Budgetary (Operating) Accounts--revenues and expenditures.

In governmental accounting, budgetary accounts are kept in the same accounting records as asset, liability, and fund equity accounts. They are used to record fund operations only for a single accounting period (one year) and are closed at the end of the period.

KEY DEFINITIONS:

Revenues increase the assets owned by a county, unlike cash receipts, which may or may not constitute revenue.

For example, a property tax receipt for taxes owed to the county and other taxing districts is part revenue to the county, but also include amounts collected for the other taxing districts and, therefore, are not revenues of the county. Likewise, the proceeds of a sale of an investment are not revenue since one asset (cash) is increased while another asset (investment) is reduced.

Expenditures are incurred to pay for operations, maintenance, or matured debt of any given county fund. Expenditures represent decreases in assets and a decrease in the fund balance. On a modified accrual basis, an expenditure, rather than decreasing an asset (cash), may increase a fund liability (accounts payable).

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Recording Transactions Affecting the County:

All activities of the county which affect the amount of or relationship between the assets, liabilities, and fund equity can be reduced to entries in the county’s financial records (purchases, tax collections, borrowing, investments, etc.). Each transaction will have a dual effect on the county records but not change the fundamental accounting equation:

$$\text{ASSETS} = \text{LIABILITIES} + \text{FUND EQUITY}$$

Purchases only change the types of assets; they do not just increase one. Tax collections affect the balance sheet accounts and budgetary accounts; a new asset is received (a balance sheet account) and revenue is also received (a budgetary account). Tax collections thus increase county assets and fund equity equally.

The fundamental accounting equation for governmental funds can now be expanded to illustrate how every possible transaction that affects a fund can be recorded:

$$\text{ASSETS} = \text{LIABILITIES} + \text{FUND EQUITY} + \text{REVENUES} - \text{EXPENDITURES}$$

To use this model and track the dual effect of each transaction, the amounts of each type of asset, liability, and fund equity (increases and decreases) must be systematically recorded.

This is done using the Uniform Chart of Accounts and a standardized, controlled recording method. This can be illustrated by using separate “T” accounts and conventional “debits” and “credits” (debits and credits are often abbreviated as “dr” and “cr”).

“T” Accounts:

A “T” account is the format used to segregate increases and decreases in each account balance as follows:

<b>Property Taxes (Account Title)</b>	
debit	credit
(dr)	(cr)

Each transaction is expressed in terms of its debit or credit effect on a given account. If an amount is entered on the left side of the “T,” the account is “debited;” if entered on the right, the account is “credited.” The effect of each entry (or transaction) is expressed in terms of debits or credits (not left and right or increases and decreases in the account). The “account balance” is the difference between the total debits and total credits.

Balance Sheet Accounts:

If the accounting model is overlaid into the “T” account structure, the assets will appear on the left (debit) side and the liabilities and fund equity are recorded on the right (credit) side.

Conversely, decreases in assets are recorded on the right or credit side, and decreases in liabilities and fund equity are recorded on the left or debit side. Asset accounts typically have a debit balance; and liability accounts and fund equity typically have a credit balance. The accounting equation always remains in balance and debits always equal credits.

Budgetary (Operating) Accounts:

The concept and reasoning behind increasing assets with debits and increasing liabilities and fund equity with credits is fairly straightforward. Sometimes confusion exists concerning why expenditures are increased by debits and revenue accounts are increased by credits. There is sound reasoning for this too.

The fund balance is on the right side of the accounting equation and it normally has a credit balance. Increases to the fund balance (via credits) or decreases (via debits) are seldom made directly. They are usually recorded in other accounts which describe the nature of the transaction. The fund balance is determined as follows:

Opening credit balance in the fund balance account

+ Revenue Accounts (credit balances increasing equity)  
- Expenditures (debit balances decreasing equity)

Ending Fund Balance (equity)

To summarize, the five basic classifications of accounts are affected by debits and credits as follows:

<u>Account Classification</u>	<u>Effect of</u>	
	<u>Debits</u>	<u>Credits</u>
Assets	+	-
Liabilities	-	+
Fund Equity	-	+
Revenue	-	+
Expenditures	+	-

These relationships are critical to an understanding of double-entry accounting as used in this manual.

Sample Transactions:

The initial step in recording a given transaction is to identify its dual effect. The following are samples of how individual transactions would be analyzed for recording in individual accounts of a county's general fund.

1. Joe Smith pays a fine of \$50.

Cash	Revenues - Fines
Debit      Credit	Debit      Credit
\$50	\$50

Explanation: A receipt of cash in payment of a fine means revenue for the county. Accordingly, the accounts reflect the increase in the amount of the asset "Cash" and an equal increase in fine revenues received. There is a debit and a credit; therefore, the accounting equation remains in balance.

2. The county buys supplies for \$25.

Expenditures - Supplies		Cash	
Debit	Credit	Debit	Credit
\$25			\$25

Explanation: The purchase of supplies is an expenditure which also reduces the assets of the county by an equal amount.

3. The county invests \$5,000.

Investments		Cash	
Debit	Credit	Debit	Credit
\$5,000			\$5,000

Explanation: Investments change one asset (cash) into another kind of asset (investments).

Basis of Accounting:

The sample transactions represent “cash basis” accounting. It records expenditures when cash is actually paid out and recognizes revenues when received.

We have used the cash basis for our examples because of its simplicity and its similarity to the accounting practices now followed in many counties. This does not imply, however, that the cash basis is an entirely satisfactory approach. A major problem with it is that it ignores the existence of other resources which are available or being used by the county, which should be accounted for to more accurately present the true picture of the county’s financial position.

To illustrate the differences, assume the county has just received an invoice in the amount of \$500 for architectural services it has purchased. The invoice states that payment is due in 30 days. Using the cash basis, the transaction will not be recorded in the accounting records until the date the invoice is actually paid, up to 30 days later. Consequently, any financial reports

issued by the county prior to the payment would not reflect that \$500 of services were performed, nor would they show the \$500 claim against the county for payment. Thus, cash basis accounting does present certain problems. Conversely, the accrual and modified accrual approaches more accurately reflect the financial position of a county at any point in time.

Under a strict accrual basis, which generally is the basis of accounting in business entities or enterprise, internal service and fiduciary funds, transactions are recorded in the accounting records when they arise rather than when cash is paid or received. Therefore, in the example above, the purchase of services and the obligation created would have been recorded as soon as the actual transaction took place. That is, the expense would have been recognized when the services were invoiced and received, and a liability (an accounts payable) would have been established to indicate that there was a \$500 obligation due.

SUBJECT:

Accounting Concepts Regulating the Accounting Process

PURPOSE:

To describe the accounting concepts which allow the accounting structure to operate and provide for accurate accounting and reporting.

PRINCIPLES:

The major features to be incorporated in any county accounting system are:

- N Appropriate authorizations and records
- N Sufficient documentation
- N Internal control
- N Consistency
- N Defined accounting periods
- N A disciplined accounting process

These features (described in more detail below) should be present in smaller organizations with manual accounting systems and few reporting requirements and in more sophisticated computerized counties with extensive detail reporting requirements.

REQUIREMENTS:

Appropriate Authorizations and Records--County accounting systems should provide authorization by more than one county official. Transactions can be better verified when accountability is shared and a series of authorizations are made, depending upon the significance of the transaction. Systems should also provide for adequate accumulation and recording of authorized transactions so that future verification is also possible. An accounting

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system that accumulates and adequately records the dual effect of each transaction will aid in this process, as will competent and adequate staffing, filing systems, and permanent record storage areas.

Sufficient Documentation--Adequate records and documents to support the accounting treatment for a particular transaction are important. Documentation, whether paper, electronic, or other media, must be valid and relevant. If authorization and record-keeping systems are adequate, they help to ensure that sufficient documentation is available.

The desired procedures and types of documentation are described in Section 4230, entitled Accounting System Records.

Internal Control--The accounting process must have adequate systems for efficient physical control and processing of county assets, maintenance of accurate records, and data files. Internal control ensures safeguarding of assets and reduces the problems associated with error detection, fraud, or embezzlement. In many organizations, nonsupervisory employees involved with these duties are controlled by the nature of their duties and work flow. In general, proper control exists if one employee's work is "automatically verified" by another employee in the normal course of work and without duplicating efforts. For example, an adequate bank reconciliation procedure can also disclose problems with vouchers payable or payroll routines, early or late payments, missing signatures, voided checks, or skips in a pre-numbered series.

Sound internal control must include five basic components:

1. Control environment,
2. Risk assessment,
3. Control activities,
4. Information and communication, and
5. Monitoring.

For more discussion of these components, see Section 3130.

The five components of internal control systems are necessary to reasonably ensure that the following objectives are achieved:

- C Assets are safeguarded against waste, loss, unauthorized use, and misappropriation.
- C Transactions are recorded properly so that reliable financial and statistical reports can be prepared and accountability for assets is maintained.
- C The County is in compliance with applicable laws.

The purpose of this manual is not to prescribe a system on internal control for all counties (this will vary depending upon county policies and organizational differences), but to identify the internal control concepts and encourage counties to install practical controls.

Consistency--For comparability, usefulness, and meaningful evaluation, county accounting information must be recorded and reported on a consistent basis. For this reason, the procedures manual and Uniform Chart of Accounts were prepared using governmental accounting principles generally accepted in the United States of America. By following these standards, counties will be conforming to the required procedures and achieving the objective of consistency.

Defined Accounting Periods--Like businesses, counties are intended to operate indefinitely. Organizational progress cannot be accurately determined until the sum of the activities performed are terminated and measured at desired intervals. Therefore, while annual financial reports are required for accounting purposes, more frequent financial status reporting is desirable.

A Disciplined Accounting Process--For introduction and clarity, the accounting process is shown in diagram form on page 6 of this section. It is desirable to follow these routines--the solid lines indicate the daily or weekly cycles, and the dotted lines indicate the monthly or annual cycles (accounting periods).

The activities described below and in the diagram are common to all sound accounting systems. They are described here to show typical county transactions and their interrelationships.

1. Recognize that a transaction has occurred.

Usually this step is self-evident; however, the responsible finance officer must be alert to subtle changes in accounts. For example, accruals of interest on savings accounts and accrual of uncollected taxes at year-end must be recorded.

2. Prepare adequate source documents.

“Accounting trails” (the processing from original entry through the final recording in a financial statement) must be provided. Original source documents are important objective evidence that each transaction has occurred. They are of particular importance in a computerized accounting system. Typical documents include receipts, checks, and journal entry supporting documents.

3. Validate the transaction.

Verification that the transaction was appropriately recorded in the source document is a basic audit function for the county auditor or finance officer.

4. Journalize the transaction and file the source document.

The transaction should be entered in the appropriate journal or “books of original entry”-- the first record posted. Generally, transactions are recorded chronologically, listed debit and credit entries simultaneously. In more sophisticated accounting systems, there may be several journals to post (or equivalent computerized files posted) before the source document is properly filed to provide an accounting trail.

5. Post the general and subsidiary ledgers.

The posting process transfers data from journals into the ledgers. In the ledger, transactions are classified according to the accounts. The “cash” account, for example, summarizes all changes in cash, while a revenue account, such as “property taxes current,” performs a similar function for tax levy revenue. Ledgers are the final place where transactions are recorded.

Most counties which maintain ledgers will have at least one group of accounts to summarize all transactions for a particular fund. Where detail is needed for specific purposes, subsidiary ledgers can be created to control individual accounts in the general ledger of a fund.

The maintenance of fund ledgers requires significant staff time even when computer assistance is provided. Any system should have sufficient detail to ensure the most practical level of control.

6. Prepare a general ledger trial balance.

This record and its use are described in detail in Section 4230, Accounting System Records.

7. Close books monthly and annually.

All accumulated transactions for a period should be recorded to prepare the required financial statements.

Any adjustments and accruals must also be made after recording the regular entries and proofing them through the trial balance. The finance officer does this by reviewing records and supporting documents to determine what accounts should be adjusted before reporting on operations.

Since adjustments invariably occur, recording them before preparing a financial statement is similar to Step 1 above, recognizing that a relevant accounting transaction has occurred. Uncollected taxes, unpaid vendor invoices, or reductions in prepaid items are examples of likely adjustments. If these adjustments are not recorded, the reporting will not meet the requirements of generally accepted accounting principles (GAAP).

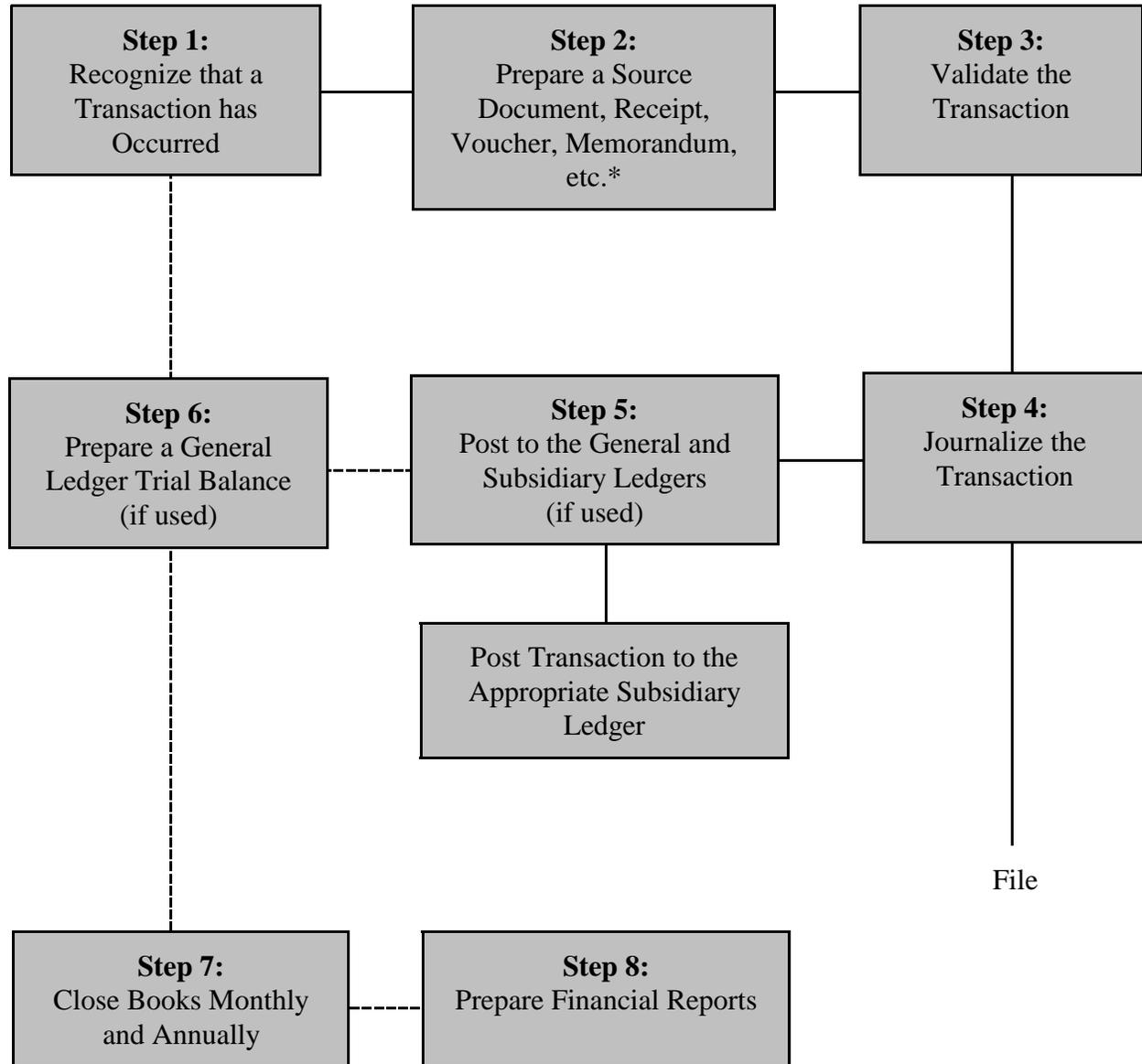
Some counties with adequate staff may be able to prepare monthly reports on a GAAP basis. However, most counties will likely only prepare monthly reports on a cash basis of accounting and prepare these adjusting entries only on an annual basis.

8. Prepare timely financial reports.

The objective of the accounting process is to produce a single set of related reports to promptly and accurately summarize the financial position of a county at one point in time.

These consist of interim reports (monthly, quarterly, and perhaps unique management-oriented reports for special needs), and annual reports. All reporting is intended to provide management and commissioners with documents useful for planning and evaluation. Reports are also used to inform the general public, the investment community, the State of Minnesota, and other interested groups.

THE ACCOUNTING PROCESS



\_\_\_\_\_ = Daily or Weekly Cycle  
 - - - - - = Month-End or Year-End Cycle

\*Source document may be in electronic format.

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SUBJECT:

Accounting System Records

PURPOSE:

Described in this section are the components of a model county financial accounting system recommended for normal financial management needs.

OVERVIEW:

Theoretically, only a general ledger is needed to record all financial transactions. In reality, special journals and subsidiary ledgers are needed to reflect the growing complexity of county finances and funds and show increasingly detailed, useful levels of information.

Because every accounting system has limitations, it is important that a county select a system in terms of its own specific needs and capabilities. If all elements of a desirable accounting system are not needed, the system's flexibility should be able to exclude them.

Accordingly, the "minimum" and "desirable" records<sup>1</sup> consist of the following:

- Minimum

- General Journal
  - Revenue Journal
  - Expenditure Journal

- Desirable

- General Ledger
  - Purchase Order Register (Unpaid Vouchers or Encumbrance Journal)

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<sup>1</sup> A particular county may have different names for these types of records.

C Budgetary Reports

- Revenue Report
- Expenditure Report
- Receivable or Payable Journals
- Capital Assets and Depreciation Ledger

COMPONENTS:

Each of these records and their interrelationships are discussed below:

N General Journal--The primary medium used for all original entries; it indicates the amounts to be debited or credited to the various accounts. This journal is often used to summarize transactions from other specialized journals--recording all transactions not involving cash received or disbursed by the county. With automated accounting systems, receipts and disbursements will typically automatically be interfaced into the general ledger accounts, while a general journal will be used for additional adjusting entries. The following accounting entries may be more easily made in the general journal:

- Opening the books and setting up the beginning balance sheet,
- Recording the annual budget of estimated revenues and appropriations,
- Recording adjusting entries or corrections,
- Recording transfers between accounts or between funds, and
- Closing entries recorded at year-end.

N Revenue (Cash Receipts) Journal--Used to record all cash received by the county. For each cash receipt, the employee receiving the cash should provide a properly authorized receipt to the customer.

N Expenditure (Cash Disbursement) Journal--Used to record all cash disbursed by the county for such purposes as: acquisition of an asset, liquidation of a liability, refund of previously collected revenues, debt retirement, and expenditures/expenses in the current year.

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Without exception, all disbursements must be made by issuing properly approved warrant checks or electronic fund transfer drawn on specific county funds. The journal becomes a check register and the means of accounting for cash disbursements.

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A fund recap sheet can also be prepared which summarizes receipts, disbursements, and transfers to and from a given fund. It shows the overall effects of the month's transactions on the county's financial position. It can also be the medium for recording deposits in the fund bank accounts and showing changes in the amounts of the funds' resources--either invested or in demand deposit accounts.

- N General Ledger--This is a major component of an accounting system which permits recording transactions on a double-entry basis, either in detail or at a summary level. This record is generally supplemented with journals and subledgers; however, the final record of assets, liabilities, revenues, and expenditures/expenses and fund equity will be found in the general ledger.

The general ledger is maintained by fund. General ledger accounts are often control accounts with related subledgers available for details. For this reason, the general ledger accounts must also be balanced with the totals of the various subsidiary account balances at month-end.

A general ledger trial balance should be made for each fund after monthly postings are complete and before financial statements are prepared. A trial balance is a list of all the balances in the ledger accounts at the end of an accounting period. It is a check on the mathematical accuracy of the ledger balances. Since the debit and credit double entry accounting structure requires balancing debits and credits for each transaction, the sum of all debit balances must equal the sum of all credit balances.

Just as separate general ledgers should be maintained for each county fund, separate trial balances should be completed at the end of each accounting period for each general ledger. A trial balance does not indicate the accuracy of the postings, only that account totals are in balance; therefore, periodic testing and verification routines should be performed.

- N Purchase Order Register (Encumbrance Journal)--An encumbrance journal is used only by counties employing a purchase order system in their purchasing procedures. A purchase order is written evidence of an order placed with vendors or contractors by the county. Acceptance of a properly authorized and approved purchase order gives the vendor authority to ship the required goods and binds the county for payment upon compliance. Thus, although no cash disbursement is involved in the issuance of the purchase order, a legal liability may have been created by the county. Some counties use an unpaid vouchers or vouchers payable account or journal. The account/journal represents vouchers for claims against the county that have been audited by the county, but not yet approved for payment. The account/journal maintains control over these vouchers until approved for payment.

The purchase order register has two functions. First, it is a register in which purchase orders issued by the county are recorded and monitored. Second, it serves as an encumbrance journal which allows the county to set aside (encumber) certain resources to cover the future obligation to the vendor created by the purchase order. The usefulness and importance of the first function is fairly evident. However, the second function can be of even greater importance in controlling county expenditures and preventing over-expenditure of county appropriations.

- N Revenue Report--A subsidiary ledger in which estimated and actual revenues are recorded and monitored in detail. The ledger is used to make the following entries:
- Estimated revenues,
  - Actual revenues received during the month by type,
  - Actual revenues received year-to-date by type, and
  - The remaining unreceived balance for each type of revenue.

A separate ledger sheet should be maintained for each revenue source.

- N Appropriation-Expenditure/Expenses Report--A subsidiary ledger in which county appropriations and actual encumbrances and expenditures are recorded and monitored. The ledger is used to make the following entries:

- Appropriations,
- Encumbrances on the appropriations,
- Actual expenditures, and
- The balance of the appropriation available.

A separate ledger sheet should be maintained for each type of expenditure detailed in the appropriation-expenditure ledger. Expenditure/expense accounts should be segregated by department within the fund.

Automated accounting systems have made the preparation of the above reports and journal relatively easy. Computerized accounting application systems allow the generation of a variety of reports in a variety of formats, generally with only the initial data entry required.

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SUBJECT:

Use of Funds

PURPOSE:

To suggest alternative approaches that will allow counties to use the minimum number of funds.

DISCUSSION:

The Standard Procedures section of this manual describes the types of funds that a county must use. They identify how governmental, proprietary, and fiduciary funds differ from each other in terms of the basis of accounting and measurement focus to be used.

However, in many counties, a new fund is set up each time there is a requirement to segregate cash or identify specific interests in a special project (such as a new grant program). This requires that a complete set of self-balancing accounts be established each time a new fund is set up.

With the standard Uniform Chart of Accounts dimensions, practical alternatives are available to counties in lieu of setting up new funds:

1. A dedicated cash account can be set up within an existing fund to account for those projects. This allows separate identification of cash assets.
2. A separate responsibility area within a department dimension can be set up within an existing fund when it is desirable to account separately for the revenues and expenditures of a specific project. This can be done by setting up either a different department number or by using program or service code dimensions within the same department.
3. A third alternative used by some counties is to maintain separate fund accounts during the year, but combine funds with similar activities for financial reporting purposes. With this approach, counties can maintain a minimum number of funds and still segregate certain special projects for accounting purposes.

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SUBJECT:

Classification of Revenues

PURPOSE:

To provide guidance on the classification of revenues for financial reporting.

DISCUSSION:

The new statement of activities, one of the new government-wide financial statements, requires identification of an entity's revenues as either program or general revenues. Governmental Accounting Standards Board (GASB) Statement 34, as revised by GASB Statement 37, provides the guidance necessary to classify these two different types of revenues for the statement of activities. Paragraph 38 of GASB Statement 34 establishes the format for the statement of activities:

The operations of the reporting government should be presented in a format that reports the net (expense) revenue of its individual functions. Net (expense) revenue is sometimes referred to as the "net cost" of a function or program and represents the total expenses of the function or program less its program revenues--that is, charges or fees and fines that derive directly from the function or program and grants and contributions that are restricted to the function or program. General revenues, contributions to term and permanent endowments, contributions to permanent fund principal, special and extraordinary items, and transfers should be reported separately after the total net expenses of the government's functions, ultimately arriving at the "change in net assets" for the period.

Paragraph 47 of GASB Statement 34 provides guidance on revenue classifications:

Programs are financed from essentially four sources:

- 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.)

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- 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 they benefit from a particular program.)
- d. The governmental institution itself (for example, through investing).
  - Type "a" is always a program revenue.
  - Type "b" is a program revenue, if restricted to a specific program or programs.
  - Type "c" is always a general revenue, even if restricted to a specific program.
  - Type "d" is usually a general revenue.

Guidance on program revenues is provided in paragraphs 48 and 49 of the statement:

48. Program revenues derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues. The statement of activities should separately report three categories<sup>1</sup> of program revenues: (a) charges for services, (b) program-specific operating grants and contributions, and (c) program-specific capital grants and contributions. For identifying the function to which a program revenue pertains, the determining factor for charges for services is which function generates<sup>2</sup> the revenue. For grants and contributions, the determining factor is the function to which the revenues are restricted.

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<sup>1</sup>More than one column may be used to display components of a program revenue category. Government may also provide more descriptive headings to better explain the range of program revenues reported therein (for example, operating grants, contributions, and restricted interest).

<sup>2</sup>In some instances, it may be difficult or impractical to identify a specific function that generates a program revenue. For example, in many jurisdictions, fines could be attributed to either a public safety or judicial function. If the function of a program revenue is not clear, governments should adopt a classification policy for assigning those revenues and apply it consistently.

49. Charges for services is the term used for a broad category of program revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided or are otherwise directly affected by the services. Revenues in this category include fees charged for a specific service, such as water use or garbage collection; licenses and permits, such as dog licenses, liquor licenses, and building permits; operating special assessments, such as for street cleaning or special street lighting; and any other amounts charged to service recipients. Fines and forfeitures are also included in this category because they result from direct charges to those who are otherwise directly affected by a program or service, even though they receive no benefit. Payments from other governments for goods or service (for example, when County A reimburses County B for boarding County A’s prisoners) also should be reported in this category.

**Note: We recommend that only three columns of program revenues be presented: (1) Fees, Charges, Fines, and Other (FCFO); (2) Operating Grants and Contributions (OGC); and Capital Grants and Contributions (CGC). As permitted by GASB Statements 34 and 37, we recommend using the more descriptive heading above rather than the example in GASB Statement 34 of “Charges for services.”**

REVENUE ITEM		REVENUE CLASSIFICATION				Expense Function
		PROGRAM			GENERAL	
DESCRIPTION	SOURCE	FCFO	OGC	CGC		
A-87 monies	Intergovernmental		X			Varies <sup>1</sup>
Ambulance and emergency aid services fees	Charges for services	X				Public Safety
Animal licenses	Licenses and permits	X				Gen. Govt.
Amortization of investment cost	Investment earnings				X	
Amortization of investment cost-restricted investments	Investment earnings		X	X		Varies
Assessor fees	Charges for services	X				Gen. Govt.

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<sup>1</sup>Varies means the program revenue could be different for different entities but should reduce the costs of the applicable function(s) reimbursed or department collecting/deriving the revenue.

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SPECIFIC PRACTICES

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Accounting (Continued)

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REVENUE ITEM		REVENUE CLASSIFICATION				Expense Function
		PROGRAM			GENERAL	
DESCRIPTION	SOURCE	FCFO	OGC	CGC		
Attached machinery aid	Intergovernmental				X	
Auction proceeds - noncapitalized equipment	Miscellaneous				X	
Auction proceeds - capitalized equipment	Other financing source				X	
Auctioneers license	Licenses and permits	X				Gen. Govt.
Bail	Fines and forfeits	X				Gen. Govt.
Birth certificates	Charges for services	X				Gen. Govt.
Boarding of prisoners	Charges for services	X				Pub. Safety
Booking fees	Charges for services	X				Pub. Safety
Building permits	Licenses and permits	X				Gen. Govt.
Bulletin sales/publication fees	Miscellaneous	X				Varies
Business licenses	Licenses and permits	X				Gen. Govt.
Canteen funds	Miscellaneous	X				Varies
Change in fair value of investments	Investment earnings				X	
Change in fair value of restricted investments	Investment earnings		X	X		Varies
Chemical dependency assessments	Charges for services	X				Health
Child support reimbursement	Miscellaneous	X				Human Services
Central notification system filings	Charges for services	X				Varies
Commodity sales (R&B)	Miscellaneous	X				Highways
Compensation for loss of general capital assets	Other financing source				X	
Conservation tax credit	Intergovernmental				X	
Conservation fees		X				Conserv.

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REVENUE ITEM		REVENUE CLASSIFICATION				Expense Function
		PROGRAM			GENERAL	
DESCRIPTION	SOURCE	FCFO	OGC	CGC		
Contributions or gifts - not restricted to a particular activity or function	Gifts and contributions				X	
Contributions or gifts - restricted to a particular activity or function	Gifts and contributions		X	X		Varies
Copy fees	Miscellaneous	X				Varies
Criminal Justice aid - Minn. Stat. § 477.0121	Intergovernmental		X			Pub. Safety
Death certificates	Charges for services	X				Gen. Govt.
Deed tax fee (county share)	Tax				X	
Departmental accounts interest	Investment earnings				X	
Disaster credit	Intergovernmental				X	
Disparity reduction aid	Intergovernmental				X	
Domestic abuse assessments	Charges for services	X				Pub. Safety or Gen. Govt.
Drivers license fees	Charges for services	X				Gen. Govt.
Drug test fees	Charges for services	X				Pub. Safety
Drug forfeitures	Fines and forfeitures	X				Pub. Safety or Gen. Govt.
E-911 distribution	Intergovernmental		X			Pub. Safety
Education tax credit	Intergovernmental				X	
Electronic home monitoring fees	Charges for services	X				Pub. Safety
Enterprise zone credit	Intergovernmental				X	
Escheats	Miscellaneous				X	
Escrow fees	Charges for services	X				Gen. Govt.

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REVENUE ITEM		REVENUE CLASSIFICATION				Expense Function
		PROGRAM			GENERAL	
DESCRIPTION	SOURCE	FCFO	OGC	CGC		
Family preservation aid - Minn. Stat. § 477A.0122	Intergovernmental		X			Human Services
Fireworks permits	Licenses and permits	X				Pub. Safety or Gen. Govt.
Food and beverage licenses	Licenses and permits	X				Gen. Govt. or Health
Forfeited taxes	Taxes				X	
Franchise fees (taxes) (usually at cities for utilities, cable companies, etc.)	Taxes				X	
Grants - not restricted to a particular activity or function	Intergovernmental				X	
Grants - restricted to a particular activity or function	Intergovernmental		X	X		Varies
Gravel tax	Taxes				X	
Guardian ad litem	Miscellaneous	X				Pub. Safety or Gen. Govt.
HACA	Intergovernmental				X	
Highway users tax	Intergovernmental		X	X		Highways
Hotel/motel tax	Taxes				X	
Huber fees	Charges for services	X				Pub. Safety
Immunization fees	Charges for services	X				Health
Incremental property taxes (tax increment)	Taxes				X	
Inspection fees	Charges for services	X				Gen. Govt.
Insurance dividends	Miscellaneous				X	
Insurance premium reimbursements	Reduction of expenditure					

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REVENUE ITEM		REVENUE CLASSIFICATION				Expense Function
		PROGRAM			GENERAL	
DESCRIPTION	SOURCE	FCFO	OGC	CGC		
Insurance reimbursements for health services	Charges for services	X				Health
Interest income on loans receivable restricted for legal purpose	Investment earnings		X	X		Varies
Investment earnings - general	Investment earnings				X	
Investment income restricted for legal purpose	Investment earnings		X	X		Varies
Lease or rent revenues	Miscellaneous				X	
Library fines	Fines and forfeits	X				Cul.-Rec.
Liquor licenses	Licenses and permits	X				Gen. Govt.
Local government aid	Intergovernmental				X	
Marriage licenses	Licenses and permits	X				Gen. Govt.
Mortgage registry tax fee (county share)	Tax				X	
Motor vehicle fees	Charges for services	X				Gen. Govt.
Natural resources land - Minn. Stat. § 477A.11	Intergovernmental		X		X	Conserv.
NSF check fees	Charges for services	X				Varies
Parking fees	Charges for services	X				Gen. Govt.
Passport fees	Charges for services	X				Gen. Govt.
Payments in lieu of taxes - from other governments	Intergovernmental				X	
Payments in lieu of taxes - from other governments restricted for specific purpose	Intergovernmental		X			Varies
Penalties and interest on delinquent property taxes	Taxes				X	
PERA rate increase aid	Intergovernmental				X	

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REVENUE ITEM		REVENUE CLASSIFICATION				Expense Function
		PROGRAM			GENERAL	
DESCRIPTION	SOURCE	FCFO	OGC	CGC		
Plat books	Miscellaneous	X				Gen. Govt.
Post board reimbursement	Intergovernmental		X			Pub. Safety
Powerline credit	Intergovernmental				X	
Probate surcharge	Charges for services	X				Gen. Govt.
Property tax	Taxes				X	
Public hunting grounds	Intergovernmental				X	
Recording fees	Charges for services	X				Gen. Govt.
Recoveries	Miscellaneous	X				Human Services
Recreational charges (golf courses, league fees, or fees for use of facilities at parks and other county or city-owned property)	Charges for services	X				Cul.-Rec.
Refuse collection fees	Charges for services	X				Sanitation
Reimbursements	Reduction of expenditure					
Restitution	Fines and forfeitures	X				Gen. Govt. or Pub. Safety
Revenues collected for others	Non-revenue agency activity					
Sales of equipment - non-capitalized	Miscellaneous				X	
Sales of general capital assets - normal <sup>2</sup>	Other financing sources				X	

<sup>2</sup>Report only gain or loss on sale in statement of activity.

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REVENUE ITEM		REVENUE CLASSIFICATION				Expense Function
		PROGRAM			GENERAL	
DESCRIPTION	SOURCE	FCFO	OGC	CGC		
Sales of general capital assets - unusual or infrequent <sup>3</sup>	Special item					
Sales, miscellaneous	Miscellaneous	X			X	Varies
Sales tax	Taxes				X	
Secretarial services reimbursement - state	Reduction of expenditure					
Securities lending	Investment earnings				X	
Septic fees	Charges for services	X				Sanitation or Health
Services provided to other municipalities	Charges for services	X				Varies
Solid waste fees	Charges for services	X				Sanitation
Special assessments - capital improvements	Special assessments			X		Varies
Special assessments - drainage ditch improvements	Special assessments			X		Conserv.
Special assessments - service-type	Special assessments	X				Varies
State police aid	Intergovernmental		X			Pub. Safety
Taconite homestead credit	Intergovernmental				X	
Tax and special assessment searches	Charges for services	X				Gen. Govt.
Tobacco citations	Fines and forfeits	X				Gen. Govt.
Tobacco license	Licenses and permits	X				Gen. Govt.
Traffic fines	Fines and forfeits	X				Gen. Govt. or Pub. Safety

<sup>3</sup>Report only gain or loss on sale in statement of activity.

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REVENUE ITEM		REVENUE CLASSIFICATION				Expense Function
		PROGRAM			GENERAL	
DESCRIPTION	SOURCE	FCFO	OGC	CGC		
UCC fees	Charges for services	X				Gen. Govt.
Waste management special assessments	Special assessments	X				Sanitation
Water and sewer fees	Charges for services	X				Water or Sewer
Water/well fees	Charges for services	X				Gen. Govt.
Zoning permits	Licenses and permits	X				Gen. Govt.

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SUBJECT:

Interfund, Internal, and Intra-Entity Activity

PURPOSE:

To provide guidance on the accounting and reporting requirements for transactions that occur between different county accounts, departments, funds, or activities. These transactions are included under the broad heading of internal activity.

DISCUSSION:

Interfund activity or “internal activity” is the GASB 34 term for flows of resources between the funds of the primary government, including its blended component units. It is called activity rather than “transactions” because the term “transactions” is limited to describing *external* events--that is, flow of resources to or from someone or something outside the primary government. Discretely presented component units are treated as *external* to the primary government, and transactions with the primary government are identified as intra-entity activity.

Many activities occur between funds and departments of a county. Because they are activities within the primary government, there could be special accounting and reporting requirements. In addition, when preparing the annual financial report, some of these transactions may require elimination to prevent “doubling up” of the transactions in the financial statements.

PRACTICES:

Interfund activity within and among governmental, proprietary, and fiduciary fund categories should be classified and reported as follows:

*Reciprocal interfund activity* is the internal counterpart to exchange and exchange-like transactions and includes:

- C *Interfund loans* - amounts provided with a requirement for repayment. Interfund loans should be reported as interfund receivables in lender funds and interfund payables in borrower funds. This activity does not affect the operating statements. If repayment is not expected within a reasonable time, the interfund balances

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should be reduced, and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan. GASB has not defined the term “reasonable time” and it should, therefore, be based on professional judgment. Some factors to consider are the ability to repay, payment history, and established payment terms or schedule.

- C *Interfund services provided and used* - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used should be reported as external transactions. Therefore, revenues are reported in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts should be reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets. The effect of interfund services provided and used between functions (for example, the sale of water or electricity from a utility to the general government) **should not** be eliminated in the government-wide statement of activities.

*Nonreciprocal interfund activity* is the internal counterpart to nonexchange transactions and includes:

- C *Interfund transfers* - flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. This category includes payments in lieu of taxes between funds that are not payments for, and are not reasonably equivalent in value to, services provided. For most Minnesota counties, there are no such payments between funds.

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers should be reported after nonoperating revenues and expenses.

- C *Interfund reimbursements* - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements should not be displayed in the financial statements.

These are transactions which constitute reimbursements of a fund for expenditures or expenses initially made from it which are properly applicable to another fund. They are recorded as expenditures or expenses of the reimbursing fund and as reductions of the expenditure or expense originally charged in the fund that is reimbursed.

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**Internal Service Funds.** Internal service funds are used to report activities that provide goods and services to other funds of the county on a cost-reimbursement basis. Since the internal service fund is providing goods or services to other county funds, at the fund level, this interfund activity is considered interfund services provided and used. Within the fund financial statements, internal service funds are reported with proprietary type financial statements. Internal service funds have special significance in the government-wide financial statements. Because most internal service fund transactions are with other county funds, its revenues and expenses are netted (eliminated) at the government-wide level. Only residual balances (assets, liabilities, and net assets) are reported at the government-wide level. In most cases, because of the nature of internal service funds, these residual balances will be reported in the governmental activities column. (If an internal service fund is predominantly providing goods and services to an enterprise fund, the balances could be included in business-type activities.)

The fact that an internal service fund operates on a cost-reimbursement basis is also important to government-wide reporting. If an internal service fund under- or over-recovers its costs (i.e. shows a profit or loss), the over- or under-charge is required to be added back to the expenses of the activities utilizing the goods or services of the internal service fund. Prior to determining this add back, the county should first consider the effect of internal service fund transactions with external parties. Generally, these transactions would be considered revenues or expenses at the government-wide level and are added to the amounts within governmental activities. If the residual balances of an internal service fund are reported as a governmental activity and the fund has transactions with business-type activities, the add back of the profit/loss would also require adjusting internal balances on the statement of net assets for the business-type activities' share of the add back.

**Interfund Activity Similar to Internal Service Fund Charges.** Sometimes the General Fund, or other fund of the government, acts as an internal service fund, providing a service to other funds and charging the cost to those funds. For example, GASB Statement No. 10 permits governments to use either an internal service fund or the General Fund if a single fund is used to report risk-financing activities. This interfund activity is similar to internal service fund charges. However, it should be treated differently than internal service fund activity. If the fund making the charge reports these amounts as reductions of its own expenses (as interfund reimbursements), no eliminations are required. The expense is already reported only once. However, if a fund making interfund charges reports these amounts as revenues, both amounts (revenues and expenses) should be eliminated in the fund/function making the charges. Again, materiality is a consideration. Preparers and auditors should consider whether the amount that would be eliminated would have a material effect on amounts reported by function/program in the statement of activities.

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Interfund activity should not be confused with internal services provided and used. The purchase and resale of office supplies is not a program of the General Fund. (The General Fund does not manufacture office supplies and is not in the business of selling them.) Rather, as an economy and efficiency measure, the government uses the General Fund to buy office supplies and spreads the cost to programs based on use or requisitions. When a county enterprise fund provides a service for the entire county, including the government itself, the government's functions are purchasers of the enterprise fund's services (like its other customers). This internal activity constitutes interfund services provided and used and should not be eliminated, as discussed previously.

**Allocations of Overhead Expenses.** Although not acting as internal service funds, some *funds* charge other funds for what are, in effect, allocations of overhead expenses (such as allocations of accounting staff salaries). These allocations should be treated in the same way as interfund activity. Again, however, materiality is a consideration.

**Eliminations.** Generally, internal activity and balances that are reported as interfund activity and balances in fund financial statements should be eliminated or reclassified at the government-wide financial statement level. However, there is some internal activity that is not eliminated. The following table provides guidance on how different types of internal transactions are accounted for and reported within the different financial statements:

Type of Internal Activity	Transaction Type	Fund Financial Statements	Statement of Net Assets	Statement of Activities
Between governmental funds included in governmental activities column	Interfund loans	Interfund receivables/ payables	Eliminate within the governmental activities column	Not applicable
	Interfund services provided and used	Receivables/ payables Revenues/ expenditures	Not eliminated	Not eliminated
	Interfund transfers	Other financing source (use) transfers	Not applicable	Eliminate within the governmental activities column

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Type of Internal Activity	Transaction Type	Fund Financial Statements	Statement of Net Assets	Statement of Activities
	Reimbursements	Expense in reimbursing fund Reduction of expense in fund that is reimbursed	Already accounted for at fund level	Already accounted for at fund level
Between funds included in the business-type activities column	Interfund loans	Interfund receivables/ payables	Eliminate within the business-type activities column	Not applicable
	Interfund services provided and used	Receivables/ payables Revenues/ expenditures	Not eliminated	Not eliminated
	Interfund transfers	Transfers	Not applicable	Eliminate within the business-type activities column
	Reimbursements	Expense in reimbursing fund Reduction of expense in fund that is reimbursed	Already accounted for at fund level	Already accounted for at fund level
Between a governmental fund included in the governmental activities column and an enterprise fund included in the business-type activities column	Interfund loans	Interfund receivables/ payables	Reported as internal balance; eliminate in the total primary government column	Not applicable
	Interfund services provided and used	Receivables/ payables Revenues/ expenses or expenditures	Not eliminated	Not eliminated
	Interfund transfers	Transfers	Not applicable	Transfers

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Type of Internal Activity	Transaction Type	Fund Financial Statements	Statement of Net Assets	Statement of Activities
	Reimbursements	Expense/ expenditure in reimbursing fund Reduction of expense/ expenditure in fund that is reimbursed	Already accounted for at fund level	Already accounted for at fund level
Between the primary government (governmental and proprietary funds) and fiduciary funds	Interfund loans	Interfund receivables/ payables	Report as receivable from/payable to external parties	Not applicable
	Interfund services provided and used	Receivables/ payables Revenues/ expenses or expenditures	Report as receivable from/payable to external parties Not eliminated	Report as revenue/ expense with external parties
	Interfund transfers	Transfers	Not applicable	Report as revenue/ expense with external parties
	Reimbursements	Deduction/ expenditure in reimbursing fund Reduction of deduction/ expenditure in fund that is reimbursed	Already accounted for at fund level	Already accounted for at fund level

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Type of Internal Activity	Transaction Type	Fund Financial Statements	Statement of Net Assets	Statement of Activities
Between funds included in governmental or business-type activities columns and internal services funds	Interfund loans	Interfund receivables/ payables	Receivables/ payables between internal services and governmental funds are eliminated within governmental activities column Generally, receivables/ payables between internal services and enterprise funds are added to the governmental activities column <sup>1</sup>	Not applicable
	Interfund services provided and used	Receivables/ payables Revenues/ expense or expenditures	Receivables/ payables between internal services and governmental funds are eliminated within governmental activities column Generally, receivables/ payables between internal services and enterprise funds are added to the governmental activities column <sup>2</sup>	Eliminate any profit or loss of internal service fund activity by a “look back” and adjust internal service charges to break even against appropriate activity

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<sup>1</sup>If enterprise funds are the main customer of the internal service fund, these amounts could be offset in the business-type activities column.

<sup>2</sup>See footnote 1.

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Type of Internal Activity	Transaction Type	Fund Financial Statements	Statement of Net Assets	Statement of Activities
	Interfund transfers	Transfers	Not applicable	Transfers between internal services and governmental funds are eliminated within governmental activities column. Generally, transfers between internal services and enterprise funds are added to the governmental activities column <sup>3</sup>
	Reimbursements	Expense/ expenditure in reimbursing fund Reduction of expense/ expenditure in fund that is reimbursed	Already accounted for at fund level	Already accounted for at fund level
Between the primary government and discretely presented component units	Intra-entity activity Receivables/ payables Revenues/expenses or expenditures	Receivables/ payables Revenues/ expenditures or expenses (may be separately identified)	Receivables/ payables shown as separate line item (due from/to component unit)	Revenues/ expenses from external parties Significant transfers of resources may be separately presented

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<sup>3</sup>See footnote 1.

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SUBJECT:

County Financial Statements

PURPOSE:

To provide an introduction for their use and interpretation.

PRINCIPLES:

Financial accounting is the systematic measuring and recording of the financial effects of an organization's activities for the purpose of external reporting. Accounting is often called the language of business; it is also the language of government and, like language, it can be revealing to those who understand it. The Uniform Chart of Accounts can be compared to the alphabet and rules of grammar. With them, communication and understanding can be provided, not just words and sentences.

Financial reporting is the process of summarizing an organization's finance-related information and reporting it to persons external to the organization. These following sections related to financial reporting have been written to provide an understanding of what reports should be prepared at a minimum, what reports are desirable, and to some extent, how to interpret the results shown in financial statements.

Sound financial reporting is accomplished by organizing the accounting system on a fund basis, then making timely, concise, accurate, and fairly presented financial statements for county commissioners, administrators, and the general public.

This procedures manual aids counties in using or developing an accounting system that serves many objectives. However, county accounting systems must:

- N Conform with the standards of the State Auditor.
- N Conform with accounting principles generally accepted in the United States of America.

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- N Be capable of being operated entirely manually (and with less extensive record keeping requirements) or in a highly sophisticated computerized environment. Counties should, therefore, thoroughly appraise their information requirements before proceeding with conversion steps or suggested reporting formats.

Once users of financial data understand how to interpret and use the county financial statements, they will be in a better position to evaluate the government's financial condition and detect potential trouble spots.

Financial statements also measure the financial performance of government. Appropriately prepared financial statements can reveal how the county has used the funds it acquired to provide goods and services to those within its jurisdiction, according to a predetermined plan, and within predetermined budgetary constraints. No single financial statement can provide all the measures on government performance. Consequently, a number of financial reports must be prepared, at least annually, to identify the financial condition of a county. The annual and interim reports that a county should prepare in order to be responsive to its informational needs are described in Sections 4330 and 4340.

SUBJECT:

Preparing Year-End Fund Financial Statements

PURPOSE:

To discuss the year-end adjusting journal entries counties, that are accounting on a cash basis, should make to prepare financial statements. These entries will result in financial statements that reflect the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary and fiduciary funds.

PROCEDURE:

Counties that are accounting on a cash basis during the year need to make the appropriate year-end entries in their workpapers or on their general ledger system to report on the appropriate generally accepted accounting principles basis of accounting. Thus, the published financial statements will reflect outstanding collectible receivables and expenditures for which the county has received benefits but has not yet made payment (accounts payable), as well as other assets and liabilities.

Receivables

The following areas will generally require year-end adjusting entries which will be reflected in the year-end fund level financial statements.

1. Taxes Receivable

There are generally two areas of taxes receivable:

- N The county portion of undistributed property taxes collected and held in the taxes and penalties agency fund. Since these amounts are actual assets of the County, an entry should be made to affect the general or other applicable fund as follows:

dr: Cash or undistributed cash in agency funds  
cr: Property tax revenues

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Explanation of Entry: “To reflect the county’s share of cash in the agency fund relating to taxes collected but not yet distributed to county funds.” In effect, these assets and related revenue must be removed from the agency fund.

Therefore, another entry should be made to affect the taxes and penalties agency fund as follows:

dr: Due to county funds  
cr: Cash

Explanation of Entry: “To remove the county’s asset/taxes revenues from the taxes and penalties agency fund.”

- N County taxes that are delinquent and estimated to be collectible. The amount that meets the availability criteria would be recognized as revenue, while the unavailable portion would be set up as deferred revenue.

An entry should be made to affect the applicable county fund(s) as follows:

dr: Property taxes receivable - current year  
dr: Property taxes receivable - prior years  
cr: Allowance for uncollectible property taxes  
cr: Property tax revenues  
cr: Deferred revenue - unavailable

Explanation of Entry: “To reflect the collectible portion of uncollected property taxes as revenue for the available portion and the unavailable balance as deferred revenue in the year-end fund financial statements.”

Generally, proprietary funds do not have property tax levies but, in some instances, their operating revenues are supplemented by a levy. The journal entry required for proprietary funds is somewhat different:

dr: Property taxes receivable  
cr: Allowance for uncollectible property taxes  
cr: Property tax revenues

The accounting for special assessments receivable is basically similar to property taxes.

2. Accounts Receivable

There may be a number of accounts outstanding in various county funds that are deemed to be collectible. An account would be receivable if goods or services had been provided to a “customer” in the year being reported but had not yet been collected. These should be reflected in the year-end financial statement as follows:

dr: Accounts receivable  
cr: Allowance for uncollectible accounts receivable  
cr: Appropriate revenue account

Explanation of Entry: “To reflect collectible accounts receivable in the appropriate fund.”

Similar entries should be made to reflect interest receivable, monies due from other funds, component units or governmental units, or any other legitimate earned and collectible receivables.

3. Accounts Payable

At fiscal year-end, there may be certain expenditures where goods or services have been received but where no cash outlay has yet been made. These are obligations of the county which should be reflected in the county’s year-end financial statements as follows:

dr: Appropriate expenditure/expense accounts  
cr: Accounts payable

Explanation of Entry: “To reflect goods or services received and not yet paid in the appropriate fund.”

Similar entries should be made to reflect other items, such as due to other funds, due to other governmental units or component units, etc.

4. Salaries/Compensated Absences and Other Benefits Payable

At fiscal year-end, the county may owe employees for services provided, as well as for vested amounts of accumulated vacation and sick leave or other compensated absences. With compensated absences, a determination should be made of the extent to which compensated absences that are expected to be liquidated with expendable available financial resources have matured, that is, come due for payment or, in other words, how much is a fund liability. This current portion would then be recorded within the applicable fund. The long-term portion would be recorded at the government-wide level financial statements for governmental activities. The entry required follows:

dr: Appropriate expenditure account  
cr: Salaries payable  
cr: Compensated absences payable

Explanation of Entry: "To reflect the amount due to employees for services provided and for vest amounts of vacation and sick payable that will be paid from available spendable resources."

For proprietary funds, the entire liability for vested compensated absences would be set up.

These are the expected basic adjusting entries required to convert from a cash basis to a modified accrual or accrual basis of accounting. Additional entries generally are required based on the nature and type of accounts a county may have and the specific accounting requirements for those accounts.

SUBJECT:

Preparing Year-End Government-Wide Financial Statements

PURPOSE:

To discuss the additional year-end adjusting journal entries counties will make to prepare the government-wide financial statements. These entries will result in financial statements that reflect the accrual basis of accounting for both governmental and business-type activities of the county. These adjusting entries are also the basis for the reconciliations between fund financial statements and the government-wide financial statements.

PROCEDURE:

Most of the adjusting entries will impact the County's governmental activities as the governmental fund information is converted from the modified accrual basis of accounting to the full accrual basis. For business-type activities, usually any adjustments to enterprise fund information relates to consolidating the portion of internal service funds that impacts enterprise funds into those activities.

The first step in preparing the government-wide financial statements is to convert the data in the governmental fund financial statements. This data is presented using the modified accrual basis, and adjustments are necessary to transition it to the government-wide statements, which are on the full accrual basis.

While the conversions could be performed on individual funds, they should be converted at the total governmental fund summary level. It will be more efficient to make these entries at this level. It is also not necessary to convert day to day accounting records. None of the adjustments should be applied to immaterial items. The list of adjusting entries is not all-inclusive for the adjusting entries that may be required, but does identify the most likely adjustments.

Two reconciliations are required for presentation. They are included with the fund level presentations and may either be part of the related financial statement or a separate statement directly following the applicable fund financial statement.

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Conversion from the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets

The following table describes the assets and liabilities that need to be converted to the full accrual basis for the government-wide Statement of Net Assets. Also, the table lists possible adjustments to reconcile fund balances in governmental funds to the net assets in governmental activities in the Statement of Net Assets.

Assets and Liabilities	Conversion	Reconciliation
		<b>Start: Fund Balances - Governmental Funds.</b>
Capital assets of general government.	Report capital assets, net of accumulated depreciation/amortization.	<u>Add:</u> carrying value of capital assets.
Deferred charges for issuance costs.	Report unamortized balances of deferred charges for issuance costs.	<u>Add:</u> unamortized balances of deferred charges for issuance costs.
Inventories and prepaid items not accounted for at fund level.	Report outstanding inventories and unamortized portions of prepaid items.	<u>Add:</u> outstanding inventories and unamortized portions of prepaid items.
Unmatured long-term debt net of unamortized premiums, discounts, and similar items.	Report unamatured long-term debt net of unamortized premiums, discounts, and similar items.	<u>Less:</u> net unamatured long-term debt.
Accrued interest.	Report liability for accrued interest payable.	<u>Less:</u> accrued interest payable.
Accrued obligations not normally recorded in governmental funds (e.g., compensated absences, claims and judgments, operating leases with scheduled rent increases, special termination benefits, government's net pension obligations as an employer, landfill closure and postclosure care costs, etc.).	Report accrued liabilities outstanding.	<u>Less:</u> accrued liabilities not reported in governmental funds.

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<b>Assets and Liabilities</b>	<b>Conversion</b>	<b>Reconciliation</b>
Assets of internal service funds that primarily serve governmental funds.	Report assets of internal service funds.	<u>Add</u> : assets of internal service funds that primarily serve governmental funds.
Liabilities of internal service funds that primarily serve governmental funds.	Report liabilities of internal service funds.	<u>Less</u> : liabilities of internal service funds that primarily serve governmental funds.
Liability of earned but deferred revenue.	Remove liability.	<u>Add</u> : earned but deferred revenue.
Liability of unearned deferred revenue.	No change required.	No effect.
		<b><u>End</u>: Net Assets - Governmental Activities</b>

Conversion from the Governmental Fund’s Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities

The following table lists adjustments needed to convert the governmental fund’s Statement of Revenues, Expenditures, and Changes in Fund Balances to the government-wide Statement of Activities. Also, the table lists possible reconciliation items.

<b>Transaction/Event</b>	<b>Conversion</b>	<b>Reconciliation</b>
		<b><u>Start</u>: Net Change in Fund Balances - Governmental Funds.</b>
Capital outlays.	Remove capitalizable expenditures incurred for the acquisition or construction of capital assets.	<u>Add</u> : capitalizable expenditures incurred for the acquisition or construction of capital assets.

Transaction/Event	Conversion	Reconciliation
Debt service principal payments and refunding payments.	Remove expenditures and other financing uses for debt service principle and refunding payments.	<u>Add:</u> expenditures and other financing uses for debt service principal and refunding payments.
Other financing sources, uses, and expenditures resulting from debt issuance.	Remove other financing sources, uses, and expenditures resulting from debt issuance.	<u>Less:</u> other financing sources for debt and related premiums. <u>Less:</u> excess of carrying value of refunded debt over reacquisition cost of refunded debt. <u>Add:</u> other financing uses for discounts. <u>Add:</u> expenditures for issuance costs. <u>Add:</u> excess of reacquisition cost of refunded debt over carrying value of refunded debt.
Donations of capital assets.	Record donations of capital assets.	<u>Add:</u> donations of capital assets.
Sales of capital assets.	Replace amount of proceeds by gain or loss on transaction.	<u>Less:</u> sale proceeds minus gain <b>and</b> sale proceeds plus loss.
Sales of fund assets (foreclosure assets held for resale).	Reclassify revenues and expenditures (or reduction of revenue) related to fund asset sales as gains or losses.	No effect.
Revenues and expenditures related to prior periods.	Remove revenues and expenditures related to prior periods.	<u>Less:</u> revenues related to prior periods. <u>Add:</u> expenditures related to prior periods.
Revenues earned during the period but not yet available.	Record revenues earned during the period but not yet available.	<u>Add:</u> revenues earned during the period but not yet available.

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Transaction/Event	Conversion	Reconciliation
Expenses incurred during the period but not normally expected to be liquidated with expendable available financial resources (unless they are due for payment in the current period).	Record expenses incurred during the period related to liabilities that are still outstanding at year-end that are normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period.	<u>Less:</u> expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest, compensated absences, claims and judgments, special termination benefits, landfill closure and postclosure care costs, operating leases with scheduled rent increases, net pension obligation.
Depreciation.	Record depreciation expense.	<u>Less:</u> depreciation expense.
Amortization of issuance costs, premiums, discounts, and similar items.	Adjust revenues and expenses for amortization.	<u>Less:</u> amortization of issuance costs and discounts (and net refunding difference if a debit). <u>Add:</u> amortization of premiums (and net refunding difference if a credit).
Consumption of inventories and amortization of prepaids.	Record expense for inventories consumed during the period and for amortization of prepaids.	<u>Less:</u> inventories consumed during the period and amortization of prepaids.
Activities of internal service funds properly included within governmental activities.	Record internal service fund revenues and expenses not subject to consolidation.	<u>Add:</u> net profit. <u>Less:</u> net loss
		<b><u>End: Change in Net Assets-Governmental Activities.</u></b>

Reconciliation to the Government-Wide Financial Statements

Differences in the classification, as well as differences in the measurement focus and basis of accounting, cause the amounts reported in the governmental activities in government-wide financial statements and governmental funds financial statements to differ significantly. To explain this discrepancy, a government is required to provide a summary reconciliation between those statements. The reconciliation can be presented on the face of the governmental fund's Balance Sheet and the Statement of Revenues, Expenditures, and Changes in the Fund Balances or as an accompanying schedule (a page immediately following the statements).

A government may present more details about all or some elements of these reconciliations in the Notes to the Financial Statements.

The summary reconciliation of the difference between the governmental fund's Balance Sheet and the government-wide Statement of Net Assets should address separately at least the following items:

1. Reporting capital assets at historical cost and depreciating them, instead of reporting capital acquisition as expenditure when incurred;
2. Adding general long-term liabilities not due and payable in the current period;
3. Reducing deferred revenue for those amounts that were not available to pay current-period expenditures; and
4. Adding internal service fund net asset balances.

The summary reconciliation of the difference between the governmental fund's Statement of Revenues, Expenditures, and Changes in the Fund Balances and the government-wide Statement of Activities should address separately at least the following items:

1. Reporting revenues on full-accrual basis;
2. Reporting annual depreciation expenses instead of expenditures for capital outlays;

3. Reporting long-term debt proceeds in the Statement of Net Assets as liabilities instead of other financing sources; also, reporting debt principal payments in the Statement of Net assets as reduction of liabilities instead of expenditures;
4. Reporting other expenses on the full-accrual basis; and
5. Adding the net revenues (expense) of internal service funds.

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ORDER PRESCRIBING FINANCIAL STATEMENTS

The organization schedule, transmittal letter, management's discussion and analysis and other required supplementary information, basic financial statements, including notes to the basic financial statements, and other statements and schedules listed in the table of contents are hereby prescribed by the State Auditor, pursuant to Minn. Stat. § 375.17, as the form of financial statements to be used by all counties in Minnesota.

*/s/ Patricia Anderson*

Patricia Anderson  
State Auditor

Dated at Saint Paul, Minnesota  
this 8<sup>th</sup> day of March 2004

The statement described in the foregoing order is hereby approved this 8<sup>th</sup> day of March 2004.

*/s/ Mike Hatch*

Mike Hatch  
Attorney General

March 2004

OFFICE OF THE STATE AUDITOR

PRESCRIBED FINANCIAL STATEMENT PRESENTATION

The attached financial statements are the addendum to the COFARS manual representing the Office of the State Auditor's prescribed method of financial statement reporting for all Minnesota counties. The financial statements presented are in accordance with governmental accounting principles generally accepted in the United States (GAAP), as stated by the Governmental Accounting Standards Board (GASB) and applicable pronouncements of the Financial Accounting Standards Board (FASB).

The financial statements presented are intended as an illustration of statements prepared in conformance with generally accepted accounting principles. This example does not attempt to show all accounts that may be necessary for proper presentation but is only intended to illustrate the necessary financial statements and their format that should be presented in the annual report of each Minnesota county. If for any reason this presentation conflicts with GAAP, then the appropriate presentation would be determined by GASB pronouncements. Also, because not all counties have the funds and fund types included in the sample some of the illustrations would not be required for an individual county.

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FINANCIAL REPORTING REQUIREMENTS FOR COUNTIES

Counties should report all funds and accounts under their control and supervision. This includes fiduciary funds. The minimum required annual financial presentation<sup>1</sup> for a county is as follows:

Required Supplementary Information

Management Discussion and Analysis

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Assets

Statement of Activities

Fund Financial Statements:

Governmental Funds-

Balance Sheet

Statement of Revenues, Expenditures, and Changes in Fund Balances

Proprietary Funds-

Statement of Net Assets

Statement of Revenues, Expenses and Change in Net Assets

Statement of Cash Flows

Fiduciary Funds-

Statement of Fiduciary Net Assets

Statement of Changes in Fiduciary Net Assets

Notes to the Basic Financial Statements

Required Supplementary Information

Budgetary Comparison Schedules (If not included in Basic Financial Statements)

Disclosures for Modified Approach Infrastructure (If used by County)

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<sup>1</sup>The above requirements are required by GASB Statement 34. Counties that have not converted to the new reporting model will issue statements required under GASB Standards existing prior to Statement 34.

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Beyond the minimum required financial presentation are additional supplementary information presentations that may be required for an annual financial report, a comprehensive annual financial report, or other reporting requirements (such as the Single Audit Act, COFARS, etc.). The following are some potential additional financial statements and schedules with notations of whether they are required by COFARS:

<u>Statement or Schedule</u>	<u>Required by COFARS?</u>
Supplemental Information	
Nonmajor Governmental Funds -	
Combining Balance Sheet	Yes
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Yes
Other Budgetary Comparison Schedules	Yes
Other Individual Fund Governmental Statements or Schedules	Yes <sup>2</sup>
Nonmajor Enterprise Funds -	
Combining Statement of Net Assets	Yes
Combining Statement of Revenues, Expenses and Change in Net Assets	Yes
Combining Statement of Cash Flows	Yes
Internal Services Funds -	
Combining Statement of Net Assets	Yes
Combining Statement of Revenues, Expenses and Change in Net Assets	Yes
Combining Statement of Cash Flows	Yes
Fiduciary Funds -	
Investment Trust Funds -	
Combining Statement of Fiduciary Net Assets	Yes
Combining Statement of Changes in Fiduciary Net Assets	Yes
Private-Purpose Trust Funds	
Combining Statement of Fiduciary Net Assets	Yes
Combining Statement of Changes in Fiduciary Net Assets	Yes
Agency Funds -	
Combining Statement of Changes in Assets and Liabilities	Yes

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<sup>2</sup> If required to meet certain disclosure requirements, otherwise optional.

<u>Statement or Schedule</u>	<u>Required by COFARS?</u>
Other Supporting Schedules -	
Schedule of Investments	Encouraged
Schedule of Tax Capacities, Tax Rates, Levies, and Percentage of Collections	Encouraged
Schedule of Individual Ditch Balance Sheet	Encouraged
Schedule of Intergovernmental Revenue	Yes <sup>3</sup>
Schedule of Expenditures of Federal Awards	Yes <sup>4</sup>
Statistical Information <sup>5</sup>	No <sup>6</sup>
General Governmental Expenditures by Function—Last Ten Fiscal Years.	
General Revenues by Source—Last Ten Fiscal Years.	
Property Tax Levies and Collections—Last Ten Fiscal Years.	
Assessed and Estimated Actual Value of Taxable Property—Last Ten Fiscal Years.	
Property Tax Rates—All Overlapping Governments—Last Ten Fiscal Years.	
Special Assessment Collections—Last Ten Fiscal Years.	
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita—Last Ten Fiscal Years.	
Computation of Legal Debt Margin (if not presented in the GPFS).	
Computation of Overlapping Debt (if not presented in the GPFS).	
Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures—Last Ten Fiscal Years.	
Revenue Bond Coverage—Last Ten Fiscal Years.	
Demographic Statistics.	
Property Value, Construction, and Bank Deposits—Last Ten Years.	
Principal Taxpayers.	
Miscellaneous Statistics.	

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<sup>3</sup> Recommended to meet reporting requirements of the OSA’s Government Information Division

<sup>4</sup> Counties subject to the requirements of the Single Audit Act are required to prepare this schedule, which typically is included with the independent auditor’s management and compliance report.

<sup>5</sup> The statistical tables should be included in the CAFR unless clearly inapplicable in the circumstances

<sup>6</sup> The statistical information is required for those preparing a comprehensive annual financial report and is not required for COFARS.

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SCOPE OF FINANCIAL STATEMENTS

Often there are various commissions, authorities, boards, and agencies that are a part of the governmental reporting entity, but external to the primary government accounting system, requires that the annual financial statements include all component units. However, component units must also issue basic financial statements. The narratives and disclosures that accompany these financial statements should adequately identify the purpose of the financial statements and the differing legal entities and functions included within the financial statements. The financial statements should disclose the relationship of the governmental entity to other governmental units. These relationships may include the guarantee of debt, joint ventures with other governmental units, and other responsibilities.

The following summarizes the basic requirements for management's discussion and analysis (MD&A). Unless not applicable to a particular county these 8 items are both a minimum and maximum areas that would be included in a MD&A. For most counties number 7 probably is not applicable, because indications are that most counties will not elect to use the modified approach for accounting and reporting infrastructure capital assets.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 200\_**

The purpose of the Management's discussion and analysis (MD&A) is to introduce the basic financial statements and provide an analytical overview of the government's financial activities. *The government entity may include as much detail as wanted as long as it pertains to these eight topics.*

1. Brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide.
2. Comparisons of the current year to the prior year condensed financial information based on the government-wide information with emphasis on the current year.
3. Analysis of the government's overall financial position and results of operations to assist users in assessing whether the financial position has improved or deteriorated as a result of the year's activities.
4. Analysis of balances and transactions of individual funds. This should include reasons for significant changes in fund balances or fund net assets and other restrictions, commitments, or other limitations that significantly affect the availability of fund resources for future use.
5. Analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget amounts results for the general fund. Also include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity.
6. Describe capital asset and long-term debt activity during the year including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.

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7. Discussion by governments that use the modified approach to report some or all of their infrastructure assets including:
  - Significant changes in the assessed condition of eligible infrastructure assets.
  - How the current assessed condition compares with the condition level the government has established.
  - Any significant differences from the estimated annual amount to maintain/preserve eligible infrastructure assets compared with the actual amounts spent during the current period.
  
8. Conclude with a description of currently know facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

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**Basic Financial Statements**

The following pages represent the format for the format for the basic financial statements for counties in Minnesota. These financial statements are required both by generally accepted accounting principles and COFARS. The government-wide financial statements are required for all counties. All counties will have governmental fund level financial statements. Only counties with proprietary funds (either enterprise or internal service funds) will present proprietary fund financial statements. All counties have at least agency funds and most have trust funds, so it is expected that most counties will have fiduciary fund financial statements. Lastly, only some counties have discretely presented component units and only a handful have more than one discretely presented component unit, so it is likely that only a few counties would need the combining component unit financial statements shown here.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

March 2004

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 200\_**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
			<b>Discretely Presented Component Units</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$	\$	\$
Investments			
Receivables - net			
Internal balances			
Due from primary government			
Inventories			
Prepaid items			
Restricted assets			
Cash and pooled investments			
Investments			
Accrued interest receivable			
Deferred charges			
Capital assets			
Non-depreciable capital assets			
Depreciable capital assets - net of accumulated depreciation			
<b>Total Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b><u>Liabilities</u></b>			
Accounts payable and other current liabilities	\$	\$	\$
Accrued interest payable			
Due to component unit			
Unearned revenue			
Customer deposits			
Payable from restricted assets			
Rent deposits			
Long-term liabilities			
Due within one year			
Due within more than one year			
<b>Total Liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

The notes to the financial statements are an integral part of this statement.



**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 200\_**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Primary Government</b>			
<b>Governmental activities</b>			
General government	\$	\$	\$
Public safety			
Highways and streets			
Sanitation			
Human services			
Health			
Culture and recreation			
Conservation of natural resources			
Economic development			
Interest			
<b>Total governmental activities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Business-type activities</b>			
Nursing home	\$	\$	\$
Nursing services			
Solid waste			
Congregate housing			
<b>Total business-type activities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Total Primary Government</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Component Units</b>			
Housing and Redevelopment Authority	\$	\$	\$
Area Ice Arena			
Lake Project Improvement District			
<b>Total Component Units</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 2**  
**(Continued)**

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Discretely Presented Component Units
	Governmental Activities	Primary Government Business-Type Activities	Total	
\$	\$	\$	\$	
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
\$	\$	\$	\$	
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
\$				\$
<u>\$</u>				<u>\$</u>

The notes to the financial statements are an integral part of this statement.

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 200\_**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>	<b>Program Revenues Operating Grants and Contributions</b>
<b>General Revenues</b>			
Property taxes			
Gravel taxes			
Mortgage registry and deed tax			
Local sales tax			
Payments in lieu of tax			
Grants and contributions not restricted to specific programs			
Unrestricted investment earnings			
Miscellaneous			
Loss on sale of capital assets			
Transfers			
Payments to component units			
<b>Total general revenues, transfers, and other items</b>			
<b>Change in net assets</b>			
<b>Net Assets - Beginning</b>			
<b>Net Assets - Ending</b>			

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 2**  
**(Continued)**

<u>Capital Grants and Contributions</u>	Net (Expense) Revenue and Changes in Net Assets			<u>Discretely Presented Component Units</u>
	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>	
\$	\$	\$	\$	
\$	\$	\$	\$	
\$	\$	\$	\$	
\$	\$	\$	\$	

The notes to the financial statements are an integral part of this statement.

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**FUND FINANCIAL STATEMENTS**

March 2004

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 200\_**

	<u>General</u>	<u>Road and Bridge</u>
<b><u>Assets</u></b>		
Cash and pooled investments	\$	\$
Undistributed cash in agency funds		
Petty cash and change funds		
Departmental cash		
Cash with escrow agent		
Investments		
Taxes receivable		
Current		
Prior		
Special assessments receivable		
Current		
Prior		
Noncurrent		
Accounts receivable		
Accrued interest receivable		
Due from other funds		
Due from other governments		
Inventories		
Advances to other funds		
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$</b> <hr/> <hr/>	<b>\$</b> <hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 3**  
**(Continued)**

<u>Human Services</u>	<u>Ditch</u>	<u>Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$	\$	\$
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

The notes to the financial statements are an integral part of this statement.

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 200\_**

	<u>General</u>	<u>Road and Bridge</u>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$	\$
Salaries payable		
Contracts payable		
Due to other funds		
Due to other governments		
Due to component units		
Deferred revenue - unavailable		
Deferred revenue - unearned		
Advance from other funds		
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$</b>	<b>\$</b>
<b>Fund Balances</b>		
Reserved for		
Encumbrances	\$	\$
Advances to other funds		
Debt service		
Inventories		
Enhanced 911		
Victim assistance		
Sheriff's contingency		
Gravel pit closure		
Conservation		
Unreserved		
Designated for future expenditures		
Designated for capital improvements		
Designated for landfill closure		
Undesignated		
Unreserved, reported in nonmajor		
Special revenue funds		
Debt service funds		
Capital projects funds		
Permanent funds		
	<hr/>	<hr/>
<b>Total Fund Balances</b>	<b>\$</b>	<b>\$</b>
	<hr/>	<hr/>
<b>Total Liabilities and Fund Balances</b>	<b>\$</b>	<b>\$</b>
	<hr/> <hr/>	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 3**  
**(Continued)**

<u>Human Services</u>	<u>Ditch</u>	<u>Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$	\$	\$
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$	\$
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

The notes to the financial statements are an integral part of this statement.

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**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENT ACTIVITIES  
DECEMBER 31, 200\_**

Fund Balances - Total Governmental Funds (Exhibit 3)		\$
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p> <p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p> <p>Internal service funds are used by management to charge the costs of management of fleet maintenance and self-insurance to individual funds.</p> <p>The assets and liabilities that are included in governmental activities in the statement of net assets are:</p> <p>Total internal services net assets <span style="float: right;">\$</span></p> <p>Net assets representing capital assets included above <span style="float: right;">_____</span></p>		
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p> <p>General obligation bonds <span style="float: right;">\$</span></p> <p>Special assessment bonds</p> <p>Notes payable</p> <p>Capital leases</p> <p>Loans payable</p> <p>Compensated absences</p> <p>Accrued interest payable</p> <p>Deferred debt issuance charges <span style="float: right;">_____</span></p>		
<b>Net Assets of Governmental Activities (Exhibit 1)</b>		<b>\$</b> =====

The notes to the financial statements are an integral part of this statement.

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_**

	<u>General</u>	<u>Road and Bridge</u>
<b>Revenues</b>		
Taxes	\$	\$
Special assessments		
Licenses and permits		
Intergovernmental		
Charges for services		
Fines and forfeits		
Interest on investments		
Gifts and contributions		
Miscellaneous		
	<hr/>	<hr/>
<b>Total Revenues</b>	<b>\$</b>	<b>\$</b>
	<hr/>	<hr/>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$	\$
Public safety		
Highways and streets		
Sanitation		
Human services		
Health		
Culture and recreation		
Conservation		
Economic development		
<b>Capital outlay</b>		
<b>Debt service</b>		
Principal retirement		
Interest		
Bond issuance costs		
	<hr/>	<hr/>
<b>Total Expenditures</b>	<b>\$</b>	<b>\$</b>
	<hr/>	<hr/>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$</b>	<b>\$</b>
	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 5**  
**(Continued)**

<b>Human Services</b>	<b>Ditch</b>	<b>Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$	\$	\$
\$	\$	\$	\$	\$
\$	\$	\$	\$	\$
\$	\$	\$	\$	\$
\$	\$	\$	\$	\$

The notes to the financial statements are an integral part of this statement.

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_**

	General	Road and Bridge
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$	\$
Transfers out		
Transfer in from component unit		
Proceeds from capital lease		
Loans issued		
Bonds and notes issued		
Discount on bond issuance		
Proceeds from sale of capital assets		
Compensation for loss of capital assets		
	\$	\$
<b>Total Other Financing Sources (Uses)</b>	<b>\$</b>	<b>\$</b>
<b>Net Change in Fund Balances</b>	<b>\$</b>	<b>\$</b>
<b>Fund Balance - January 1</b>		
<b>Increase (decrease) in reserved for inventories</b>		
	\$	\$
<b>Fund Balance - December 31</b>	<b>\$</b>	<b>\$</b>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 5**  
**(Continued)**

<b>Human Services</b>	<b>Ditch</b>	<b>Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$	\$	\$
\$	\$	\$	\$	\$
\$	\$	\$	\$	\$
\$	\$	\$	\$	\$

The notes to the financial statements are an integral part of this statement.

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**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENT ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 200\_**

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)	\$	
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p> <p>Expenditures for general capital assets, infrastructure, and other related capital assets adjustment</p> <p style="text-align: right;">\$</p> <p>Current year depreciation</p>		
<p>In the statement of activities, only the gain or loss on the disposal of capital assets are reported whereas, in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the cost of the capital assets disposed of.</p> <p>The fair value of capital asset donations are reported as revenues in the statement of activity, but are not reported in governmental funds.</p> <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> <p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The net proceeds for debt issuance are:</p> <p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal repayments		
General obligation bonds	\$	
Special assessment bonds		
Capital lease		
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> <p>Change in accrued interest payable</p> <p style="text-align: right;">\$</p> <p>Amortization of discounts and deferred issuance charges</p> <p>Change in compensated absences</p> <p style="text-align: right;">_____</p>		
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities.</p> <p>Transfer</p> <p style="text-align: right;">\$</p> <p>Governmental activities' share of net income before transfers</p> <p style="text-align: right;">_____</p>		
Change in Net Assets of Governmental Activities (Exhibit 2)		\$

The notes to the financial statements are an integral part of this statement.

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 200\_**

	Nursing Home	Solid Waste
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash and pooled investments	\$	\$
Undistributed cash in agency funds		
Petty cash and change funds		
Investments		
Special assessments		
Prior		
Accounts receivable (net)		
Accrued interest receivable		
Due from other funds		
Due from other governments		
Inventories		
Prepaid items		
	_____	_____
<b>Total current assets</b>	<b>\$</b>	<b>\$</b>
<b>Restricted assets</b>		
Cash and pooled investments	\$	\$
Investments		
Accrued interest receivable		
	_____	_____
<b>Total restricted assets</b>	<b>\$</b>	<b>\$</b>
<b>Noncurrent assets</b>		
Advance to other funds	\$	\$
Capital assets		
Nondepreciable		
Depreciable (net)		
	_____	_____
<b>Total noncurrent assets</b>	<b>\$</b>	<b>\$</b>
<b>Total Assets</b>	<b>\$</b>	<b>\$</b>

The notes to the financial statements are an integral part of this statement.



**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 200\_**

	<u>Nursing Home</u>	<u>Solid Waste</u>
<b><u>Liabilities</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$	\$
Salaries payable		
Compensated absences payable - current		
Due to other funds		
Due to other governments		
Deferred revenue		
General obligation bonds payable - current		
<b>Total current liabilities</b>	<b>\$</b>	<b>\$</b>
<b>Current liabilities payable from restricted assets</b>		
Rent deposits	\$	\$
<b>Noncurrent liabilities</b>		
Customer deposits	\$	\$
Compensated absences payable - long-term		
Claims and judgments payable - long-term		
Estimated liability for landfill closure/postclosure		
General obligation bonds payable - long-term		
<b>Total noncurrent liabilities</b>	<b>\$</b>	<b>\$</b>
<b>Total Liabilities</b>	<b>\$</b>	<b>\$</b>
<b>Net Assets</b>		
Invested in capital assets net of related debt	\$	\$
Restricted for		
Debt service		
Capital projects		
Postclosure		
Other purposes		
Equipment replacement		
Unrestricted		
<b>Total Net Assets</b>	<b>\$</b>	<b>\$</b>

Some amounts reported for business-type activities in the Statement of Net Assets (Exhibit 1) are different because certain internal service fund assets and liabilities are included with business-type activities.

The notes to the financial statements are an integral part of this statement.



**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_**

	<u>Nursing Home</u>	<u>Solid Waste</u>
<b>Operating Revenues</b>		
Charges for services	\$	\$
Meals		
Laundry		
Rents		
Miscellaneous		
	<hr/>	<hr/>
<b>Total Operating Revenues</b>	<b>\$</b>	<b>\$</b>
<b>Operating Expenses</b>		
Personal services	\$	\$
Employee benefits and payroll taxes		
Professional services		
Claims paid		
Administration and fiscal services		
Other services and charges		
Supplies		
Distributions to subgrantees		
Depreciation		
Landfill closure and postclosure costs		
	<hr/>	<hr/>
<b>Total Operating Expenses</b>	<b>\$</b>	<b>\$</b>
<b>Operating Income (Loss)</b>	<b>\$</b>	<b>\$</b>
<b>Nonoperating Revenues (Expenses)</b>		
Special assessments	\$	\$
Intergovernmental		
Interest income		
Interest on intergovernmental transfers		
Gifts and contributions		
Gain on sale/disposal of capital assets		
Interest expense		
	<hr/>	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$</b>	<b>\$</b>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 8**  
**(Continued)**

<b>Enterprise Funds</b>			<b>Internal Service Funds</b>
<b>Congregate Housing</b>	<b>Nonmajor Nursing Service</b>	<b>Totals</b>	
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$

The notes to the financial statements are an integral part of this statement.

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	Nursing Home	Solid Waste
<b>Income (Loss) Before Contributions and Transfers</b>	\$	\$
Transfers in		
Transfers out		
<b>Change in Net Assets</b>	\$	\$
<b>Net Assets - January 1</b>		
<b>Net Assets - December 31</b>	\$	\$

Some amounts reported for business-type activities in the Statement of Activities (Exhibit 2) are different because the net revenue (expense) of the Self-Insurance Internal Service Fund is reported with business-type activities.

**Change in Net Assets of Business-Type Activities**

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 8**  
**(Continued)**

<b>Enterprise Funds</b>			<b>Internal Service Funds</b>
<b>Congregate Housing</b>	<b>Nonmajor Nursing Service</b>	<b>Totals</b>	<b>Funds</b>
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$		\$
		\$	

The notes to the financial statements are an integral part of this statement.

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_**  
Increase (Decrease) in Cash and Cash Equivalents

	Nursing Home	Solid Waste
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$	\$
Receipts from internal services provided		
Payments to suppliers		
Payments to employees		
Payments to subrecipients		
<b>Net cash provided by (used in) operating activities</b>	<b>\$</b>	<b>\$</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Advance from other funds	\$	\$
Special assessments		
Intergovernmental		
Rent deposits		
Contributions		
Transfers in		
Transfers out		
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$</b>	<b>\$</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital contributions	\$	\$
Principal paid on long-term debt		
Interest paid on long-term debt		
Proceeds from the sale of capital assets		
Purchases of capital assets		
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$</b>	<b>\$</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	\$	\$
Purchase of investments		
Investment earnings received		
Interest on intergovernmental transfers		
<b>Net cash provided by (used in) investing activities</b>	<b>\$</b>	<b>\$</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$</b>	<b>\$</b>
<b>Cash and Cash Equivalents at January 1</b>		
<b>Cash and Cash Equivalents at December 31</b>	<b>\$</b>	<b>\$</b>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 9**  
**(Continued)**

<u>Enterprise Funds</u> <u>Congregate</u> <u>Housing</u>	<u>Nonmajor</u> <u>Nursing Service</u>	<u>Totals</u>	<u>Internal</u> <u>Service Funds</u>
\$	\$	\$	\$
—	—	—	—
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$
—	—	—	—
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$
—	—	—	—
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$
—	—	—	—
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$
—	—	—	—
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

The notes to the financial statements are an integral part of this statement.



**EXHIBIT 9**  
**(Continued)**

<u>Enterprise Funds</u>			
<u>Congregate Housing</u>	<u>Nonmajor Nursing Service</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$	\$	\$	\$
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$
\$	\$	\$	\$
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$

The notes to the financial statements are an integral part of this statement.

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

EXHIBIT 10

FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	<u>Investment Trust</u>	<u>Private-Purpose Trust</u>	<u>Agency</u>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$	\$	\$
Investments			
Short-term investments			
Receivables			
Accounts			
Interest			
Due from other governments			
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<hr/>	<hr/>	<hr/>
<b><u>Liabilities</u></b>			
Accounts payable	\$	\$	\$
Due to other governments			
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<hr/>	<hr/>	<hr/>
<b><u>Net Assets</u></b>			
Net assets, held in trust for pool participants	\$	\$	
Net assets, held in trust for other purposes			
	<hr/>	<hr/>	
<b>Total Net Assets</b>	<b>\$</b>	<b>\$</b>	
	<hr/>	<hr/>	

The notes to the financial statements are an integral part of this statement.

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

EXHIBIT 11

FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	<u>Investment Trust</u>	<u>Private-Purpose Trust</u>	<u>Total</u>
<b><u>Additions</u></b>			
Trust deposits	\$	\$	\$
Contributions from participants			
Investment earnings			
Interest			
Net increase (decrease) in fair value of investments			
<b>Total Additions</b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>
<b><u>Deductions</u></b>			
Payments in accordance with trust agreements	\$	\$	\$
Distributions to participants			
Payments to heirs			
<b>Total Deductions</b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>
<b>Change in Net Assets</b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>
<b>Net Assets - Beginning of the Year</b>	<b><u>                    </u></b>	<b><u>                    </u></b>	<b><u>                    </u></b>
<b>Net Assets - End of the Year</b>	<b><u>                    </u></b>	<b><u>                    </u></b>	<b><u>                    </u></b>

The notes to the financial statements are an integral part of this statement.

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**EXHIBIT 12  
(Continued)**

**COMBINING STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 200\_**

	<u>Housing and Redevelopment Authority</u>	<u>Area Ice Arena</u>	<u>Lake Project Improvement District</u>	<u>Total</u>
<b><u>Assets</u></b>				
<b>Current assets</b>				
Cash and pooled investments	\$	\$	\$	\$
Undistributed cash in County agency funds				
Accounts receivable (net)				
Rent receivable				
Due from other governments				
Due from primary government				
Prepaid items				
<b>Total current assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Noncurrent assets</b>				
Capital assets				
Nondepreciable	\$	\$	\$	\$
Depreciable (net)				
<b>Total noncurrent assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Total Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

The notes to the financial statements are an integral part of this statement.

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**EXHIBIT 12  
(Continued)**

**COMBINING STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 200\_**

	<u>Housing and Redevelopment Authority</u>	<u>Area Ice Arena</u>	<u>Lake Project Improvement District</u>	<u>Total</u>
<b><u>Liabilities</u></b>				
<b>Current liabilities</b>				
Cash overdraft	\$	\$	\$	\$
Accounts payable				
Salaries payable				
Due to other governments				
Accrued interest payable				
Deferred revenue				
Customer deposits				
Revenue notes payable - current				
<b>Total current liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Noncurrent liabilities</b>				
Advance from other governments	\$	\$	\$	\$
Compensated absences payable				
Revenue notes payable - long-term				
<b>Total noncurrent liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Total Liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b><u>Net Assets</u></b>				
Invested in capital assets net of related debt	\$	\$	\$	\$
Unrestricted				
<b>Total Net Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

The notes to the financial statements are an integral part of this statement.

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 200\_**

	Expenses	Fees, Charges, Fines and Other	Program Revenues Operating Grants and Contributions
<b>Component Units</b>			
Housing and Redevelopment Authority	\$	\$	\$
Area Ice Arena			
Lake Project Improvement District			
<b>Total Component Units</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>General Revenues and Other Items</b>			
Local sales tax			
Investment income			
Miscellaneous			
Payments from primary government			
<b>Total general revenues and other items</b>			
<b>Change in Net Assets</b>			
<b>Net Assets - Beginning</b>			
<b>Net Assets - Ending</b>			

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 13**  
*(Continued)*

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Total
	Housing and Redevelopment Authority	Area Ice Arena	Lake Project Improvement District	
\$	\$	\$	\$	\$
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	\$	\$	\$	\$
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	\$	\$	\$	\$
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

The notes to the financial statements are an integral part of this statement.

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**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 200\_**

*This outline is provided as guidance for the sequence of the notes to the basic financial statements. This should not be considered as supplanting the judgment of the issuer in determining the most meaningful presentation. An individual county will have different note disclosure requirements based on the county's financial activities and accounts.*

***Suggested Disclosure Sequence***

The outline that follows is provided as guidance for the sequence of the notes to the basic financial statements. This should not be considered as supplanting the judgment of the issuer in determining the most meaningful presentation.

- I. Summary of significant accounting policies (including departures from GAAP, if any).
  - A. description of the government-wide financial statements and exclusion of fiduciary activities and similar component units.
  - B. A brief description of the component units of the financial reporting entity and their relationships to the primary government. This should include a discussion of the criteria for including component units in the financial reporting entity and how the component units are reported. Also include information about how the separate financial statements for the individual component units may be obtained. In component unit separate reports, identification of the primary government in whose financial report the component unit is included and a description of its relationship to the primary government.
  - C. Basis of presentation Government-wide financial statements.
    - 1. Governmental and business-type activities, major component units.
    - 2. Policy for applying FASB pronouncements issued after November 30, 1989 to business-type activities.
    - 3. Policy for eliminating internal activity.
    - 4. Effect of component units with differing fiscal year-ends.

March 2004

- D. Basis of presentation **C** fund financial statements.
  - 1. Major and nonmajor governmental and enterprise funds, internal service funds, and fiduciary funds by fund type.
  - 2. Descriptions of activities accounted for in the major funds, internal service fund type, and fiduciary fund types.
  - 3. Policy for applying FASB pronouncements issued after November 30, 1989 to enterprise funds.
  - 4. Interfund eliminations in fund financial statements not apparent from headings.
  
- E. Basis of accounting.
  - 1. Accrual **C** government-wide financial statements.
  - 2. Modified accrual **C** governmental fund financial statements, including the length of time used to define available for purposes of revenue recognition.
  - 3. Accrual **C** proprietary and fiduciary fund statements.
  
- F. Assets, liabilities, and net assets and fund balances described in the order of appearance in the statements of net assets/balance sheet.
  - 1. Definition of cash and cash equivalents used in the proprietary fund statement of cash flows.
  - 2. Disclosure of valuation bases.
  - 3. Capitalization policy, estimated useful lives of capital assets.
  - 4. Description of the modified approach for reporting infrastructure assets (if used).
  - 5. Significant or unusual accounting treatment for material account balances or transactions.
  - 6. Policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.
  
- G. Revenues, expenditures/expense.
  - 1. Types of transactions included in program revenues in the government-wide statement of net assets.
  - 2. Policy for allocating indirect expense to functions in the government-wide statement of activities.
  - 3. Unusual or significant accounting policy for material revenue, expenditures, and expenses.
  - 4. Property tax revenue recognition.
  - 5. Vacation, sick leave, and other compensated absences.
  - 6. Policy for defining operating revenues and operating expenses in proprietary fund statements of revenues, expenses, and changes in fund net assets.

March 2004

II. Stewardship, compliance, and accountability.

- A. Significant violations of finance-related legal and contractual provisions and actions taken to address such violations.
- B. Deficit fund balance or fund net assets of individual funds.

III. Detail notes on all activities and funds.

A. Assets.

- 1. Cash deposits and pooling of cash and investments.
- 2. Investments.
- 3. Reverse repurchase agreements.
- 4. Securities lending transactions.
- 5. Receivable balances.
- 6. Property taxes.
- 7. Due from other governments Cgrants receivable.
- 8. Required disclosures about capital assets.

B. Liabilities.

- 1. Payable balances.
- 2. Pension plan obligations and postemployment benefits other than pension benefits.
- 3. Other employee benefits.
- 4. Construction and other significant commitments.
- 5. Claims and judgments.
- 6. Lease obligations (capital and operating).
- 7. Short-term debt and liquidity.
- 8. Long-term debt.
  - a. Description of individual bond issues and leases outstanding.
  - b. Required disclosures about long-term liabilities.
  - c. Summary of debt service requirements to maturity.
  - d. Terms of interest rate changes for variable-rate debt.
  - e. Disclosure of legal debt margin.
  - f. Bonds authorized but unissued.
  - g. Synopsis of revenue bond covenants.
  - h. Special assessment debt and related activities.
  - i. Debt refundings and extinguishments.
  - j. Demand bonds.
  - k. Bond, tax, and revenue anticipation notes.
- 9. Landfill closure and postclosure care.

March 2004

- C. Interfund receivables and payables and interfund eliminations.
- D. Revenues and expenditures/expenses.
  - 1. On-behalf payments for fringe benefits and salaries.
  - 2. Significant transactions that are either unusual or infrequent, but not within the control of management.
- E. Donor-restricted endowment disclosures
- F. Interfund transfers.
- G. Encumbrances outstanding.
- IV. Segment informationCenterprise funds.
- V. Individual major component unit disclosures (if not reported on the face of the government-wide statements or in combining statements).
- VI. The nature of the primary government's accountability for related organizations.
- VII. Joint ventures and jointly governed organizations.
- VIII. Related party transactions.
- IX. Summary disclosure of significant contingencies.
  - A. Litigation.
  - B. Federally assisted programsCcompliance audits.
- X. Significant effects of subsequent events.

March 2004

**Required Supplementary Information (RSI)**

This typically will include the budgetary comparison schedules for the general fund and any major special revenue funds. Formats for the general fund and the Road and Bridge and Human Services Special Revenue Funds are included. If a county is using the modified approach for infrastructure capital assets additional RSI information would be necessary. However, examples are not included in this document.

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MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Schedule 1*  
*(Continued)*

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$	\$	\$	\$
Licenses and permits				
Intergovernmental				
Charges for services				
Fines and forfeits				
Gifts and contributions				
Investment earnings				
Miscellaneous				
<b>Total Revenues</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$	\$	\$	\$
Courts				
County administration				
Personnel				
County auditor				
License bureau				
County treasurer				
County assessor				
Elections				
Purchasing				
Remonumentation				
Data processing				
Attorney				
Law library				
Recorder				
Surveyor				
Planning and zoning				
Buildings and plant				
Maintenance				
Veterans service officer				
<b>Total general government</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Schedule 1*  
*(Continued)*

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$	\$	\$	\$
Boat and water safety				
Emergency services				
Coroner				
Law enforcement center				
Probation and parole				
<b>Total public safety</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Health</b>				
Nursing service	\$	\$	\$	\$
<b>Culture and recreation</b>				
Historical society	\$	\$	\$	\$
Parks				
Senior citizens				
Regional library				
Arena				
Other				
<b>Total culture and recreation</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$	\$	\$	\$
Soil and water conservation				
Agricultural inspections				
Agricultural society/county fair				
<b>Total conservation of natural resources</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Schedule 1*  
*(Continued)*

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Community development	\$	\$	\$	\$
<b>Debt service</b>				
Principal	\$	\$	\$	\$
Interest	\$	\$	\$	\$
<b>Total Expenditures</b>	\$	\$	\$	\$
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$	\$	\$	\$
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$	\$	\$	\$
Transfers out				
Proceeds from sale of assets				
<b>Total Other Financing Sources (Uses)</b>	\$	\$	\$	\$
<b>Net Change in Fund Balance</b>	\$	\$	\$	\$
<b>Fund Balance - January 1</b>				
<b>Fund Balance - December 31</b>	\$	\$	\$	\$

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 200\_**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$	\$	\$	\$
Intergovernmental				
Charges for services				
Miscellaneous				
<b>Total Revenues</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highway and streets</b>				
Administration	\$	\$	\$	\$
Maintenance				
Construction				
Equipment maintenance and shop				
<b>Total highways and streets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Debt service</b>				
Principal				
Interest				
<b>Total Expenditures</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of assets	\$	\$	\$	\$
Compensation for the loss of capital assets				
Proceeds from capital lease				
<b>Total Other Financing Sources (Uses)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Net Change in Fund Balance</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Fund Balance - January 1</b>				
<b>Increase (decrease) in reserved for inventories</b>				
<b>Fund Balance - December 31</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

Governments have the option of using the purchase or consumption methods for inventory. This example shows the purchase method, which requires adjustment to the consumption method at the government-wide level.

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

Schedule 3

BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$	\$	\$	\$
Intergovernmental				
Charges for services				
Miscellaneous				
<b>Total Revenues</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$	\$	\$	\$
Social services				
<b>Total Expenditures</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$	\$	\$	\$
Transfers out				
<b>Total Other Financing Sources (Uses)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Net Change in Fund Balance</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Fund Balance - January 1</b>				
<b>Fund Balance - December 31</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

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**Notes to the Required Supplementary Information**

1. Budget basis of accounting.
2. Excess of the expenditures over appropriations.

*This information would be included in the notes to the financial statements if the budgetary comparison schedules are included as part of the basic financial statements.*

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**Supplemental Information**

The following statements and schedules should present when applicable to an individual county. They typically will be divided into the following categories:

- Nonmajor governmental fund combining statements
- Nonmajor governmental fund budgetary comparison schedules
- Nonmajor enterprise fund combining statements (not presented)
- Internal services combining statements
- Trust fund combining statements
- Agency fund statement
- Component unit financial statements<sup>7</sup>
- Other schedules
  - Schedule of intergovernmental revenue
  - Schedule of expenditures of federal awards

As noted previously the nature and type of financial statements depends on the activities, accounts and fund types of individual counties.

---

<sup>7</sup> Only required when component units do not issue separate stand alone financial statements.

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**Statement 1**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 200\_**

	<b>Special Revenue (Statement 3)</b>	<b>Debt Service (Statement 5)</b>	<b>Capital Projects (Statement 7)</b>	<b>Permanent (Statement 9)</b>	<b>Total Nonmajor Governmental Funds (Exhibit 3)</b>
<b><u>Assets</u></b>					
Cash and pooled investments	\$	\$	\$	\$	\$
Petty cash and change funds					
Undistributed cash in agency funds					
Cash with escrow agent					
Investments					
Taxes receivable					
Current					
Prior					
Special assessments receivable					
Current					
Prior					
Noncurrent					
Accounts receivable					
Accrued interest receivable					
Due from other funds					
Due from other governments					
Advance to other funds					
<b>Total Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$	\$	\$	\$	\$
Salaries payable					
Contracts payable					
Due to other funds					
Due to other governments					
Deferred revenue - unavailable					
Deferred revenue - unearned					
Advance from other funds					
<b>Total Liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Fund Balances</b>					
Reserved for encumbrances	\$	\$	\$	\$	\$
Reserved for victim assistance					
Reserved for conservation					
Reserved for gravel pit closure					
Reserved for endowments					
Unreserved					
Designated for debt service					
Designated for future expenditures					
Designated for capital improvements					
Designated for landfill closure					
Undesignated					
<b>Total Fund Balances</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

***Statement 2***

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_**

	Special Revenue (Statement 4)	Debt Service (Statement 6)	Capital Projects (Statement 8)	Permanent (Statement 10)	Total Nonmajor Governmental Funds (Exhibit 5)
<b>Revenues</b>					
Taxes	\$	\$	\$	\$	\$
Special assessments					
Licenses and permits					
Intergovernmental					
Charges for services					
Fines and forfeits					
Gifts and contributions					
Investment earnings					
Miscellaneous					
<b>Total Revenues</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$	\$	\$	\$	\$
Public safety					
Sanitation					
Health					
Culture and recreation					
Conservation					
Economic development					
<b>Capital outlay</b>					
<b>Debt service</b>					
Principal					
Interest					
<b>Total Expenditures</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$	\$	\$	\$	\$
Transfers out					
Loans issued					
Transfers to component unit					
<b>Total Other Financing Sources (Uses)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Net Change in Fund Balances</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Fund Balance - January 1</b>					
<b>Fund Balance - December 31</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 200\_**

	<u>Environmental Health</u>	<u>Victim Assistance</u>	<u>Revolving Loan</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$	\$	\$
Petty cash and change funds			
Undistributed cash in agency funds			
Taxes receivable			
Current			
Prior			
Special assessments receivable			
Current			
Prior			
Noncurrent			
Accounts receivable			
Due from other governments			
	_____	_____	_____
<b>Total Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	=====	=====	=====
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$	\$	\$
Salaries payable			
Due to other funds			
Due to other governments			
Deferred revenue - unavailable			
Deferred revenue - unearned			
	_____	_____	_____
<b>Total Liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	_____	_____	_____
<b>Fund Balances</b>			
Reserved for encumbrances	\$	\$	\$
Reserved for victim assistance			
Reserved for gravel pit closure			
Unreserved			
Designated for future expenditures			
Designated for landfill closure			
Undesignated			
	_____	_____	_____
<b>Total Fund Balances</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	_____	_____	_____
<b>Total Liabilities and Fund Balances</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	=====	=====	=====

***Statement 3***  
***(Continued)***

<u>Regional Railroad Authority</u>	<u>Gravel Tax</u>	<u>Forfeited Tax</u>	<u>Development</u>	<u>Total (Statement 1)</u>
\$	\$	\$	\$	\$
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$	\$
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$	\$
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_**

	<u>Environmental Health</u>	<u>Victim Assistance</u>
<b>Revenues</b>		
Taxes	\$	\$
Special assessments		
Licenses and permits		
Intergovernmental		
Charges for services		
Fines and forfeits		
Investment earnings		
Miscellaneous		
	<hr/>	<hr/>
<b>Total Revenues</b>	<b>\$</b>	<b>\$</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$	\$
Public safety		
Sanitation		
Health		
Culture and recreation		
Conservation		
Economic development		
	<hr/>	<hr/>
<b>Total Expenditures</b>	<b>\$</b>	<b>\$</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$</b>	<b>\$</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$	\$
Transfers out		
Loan issued		
Transfers to component unit		
	<hr/>	<hr/>
<b>Total Other Financing Sources (Uses)</b>	<b>\$</b>	<b>\$</b>
<b>Net Change in Fund Balances</b>	<b>\$</b>	<b>\$</b>
<b>Fund Balance - January 1</b>	<hr/>	<hr/>
<b>Fund Balance - December 31</b>	<b>\$</b>	<b>\$</b>



MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Statement 5*

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE FUNDS  
DECEMBER 31, 200\_

	<u>County Jail</u>	<u>Courthouse Building</u>	<u>General Obligation</u>	<u>Sanitary Sewer</u>	<u>Total (Statement 1)</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$	\$	\$	\$	\$
Undistributed cash in agency funds					
Cash with escrow agent					
Taxes receivable					
Current					
Prior					
Accrued interest receivable					
Due from other funds					
Advance to other funds					
<b>Total Assets</b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Deferred revenue - unavailable	\$	\$	\$	\$	\$
<b>Fund Balances</b>					
Designated for debt service					
<b>Total Liabilities and Fund Balances</b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

*Statement 6*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_**

	<u>County Jail</u>	<u>Courthouse Building</u>	<u>General Obligation</u>	<u>Sanitary Sewer</u>	<u>Total (Statement 2)</u>
<b>Revenues</b>					
Taxes	\$	\$	\$	\$	\$
Intergovernmental					
Investment earnings					
Miscellaneous					
<b>Total Revenues</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Expenditures</b>					
<b>Debt service</b>					
Principal	\$	\$	\$	\$	\$
Interest					
<b>Total Expenditures</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in					
<b>Net Change in Fund Balances</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Fund Balance - January 1</b>					
<b>Fund Balance - December 31</b>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Statement 7*

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS FUNDS  
DECEMBER 31, 200\_

	Permanent Improvement	Jail Construction	Sanitary Sewer	Total (Statement 1)
<b><u>Assets</u></b>				
Cash and pooled investments	\$	\$	\$	\$
Investments				
Accrued interest receivable				
Due from other governments				
<b>Total Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$	\$	\$	\$
Contracts payable				
Due to other funds				
Due to other governments				
Advance from other funds				
<b>Total Liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Fund Balances</b>				
Unreserved				
Designated for capital improvements				
<b>Total Liabilities and Fund Balances</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

MINNESOTA COUNTY  
ANY CITY, MINNESOTA

Statement 8

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	<u>Permanent Improvement</u>	<u>Jail Construction</u>	<u>Sanitary Sewer</u>	<u>Total (Statement 2)</u>
<b>Revenues</b>				
Intergovernmental	\$	\$	\$	\$
Investment earnings				
Miscellaneous				
<b>Total Revenues</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Expenditures</b>				
<b>Capital outlay</b>				
General government	\$	\$	\$	\$
Public safety				
Sanitation				
<b>Total Expenditures</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out				
<b>Net Change in Fund Balances</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Fund Balance - January 1</b>				
<b>Fund Balance - December 31</b>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Statement 2*

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
PERMANENT FUNDS  
DECEMBER 31, 200\_

	<u>Conservation Reserve</u>	<u>Cemetery</u>	<u>Total (Statement 1)</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$	\$	\$
Investments			
Accrued interest receivable			
<b>Total Assets</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Fund Balances</b>			
Reserved for endowments	\$	\$	\$
Reserved for conservation			
Unreserved			
Undesignated			
<b>Total Fund Balances</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Statement 10*

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
PERMANENT FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	Conservation Reserve	Cemetery	Total (Statement 2)
<b>Revenues</b>			
Gifts and contributions	\$	\$	\$
Investment earnings			
<b>Total Revenues</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Expenditures</b>			
<b>Current</b>			
Culture and recreation	\$	\$	\$
Conservation			
<b>Total Expenditures</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Fund Balance - January 1</b>			
<b>Fund Balance - December 31</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Schedule #*

BUDGETARY COMPARISON SCHEDULE  
NONMAJOR GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$	\$	\$	\$
Special assessments				
Licenses and permits				
Intergovernmental				
Charges for services				
Miscellaneous				
<b>Total Revenues</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$	\$	\$	\$
<b>Health</b>				
County health officer				
<b>Conservation</b>				
Water planning				
<b>Total Expenditures</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$	\$	\$	\$
Transfers out				
Proceeds from loan				
<b>Total Other Financing Sources (Uses)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Net Change in Fund Balance</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Fund Balance - January 1</b>				
<b>Fund Balance - December 31</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Statement 11*

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
DECEMBER 31, 200\_

	<u>Self-Insurance</u>	<u>Central Garage</u>	<u>Total</u>
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and pooled investments	\$	\$	\$
Investments			
Accrued interest receivable			
Due from other funds			
Due from other governments			
Inventories			
Prepaid items			
<b>Total current assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Noncurrent assets</b>			
Capital assets			
Depreciable (net)			
<b>Total Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Accounts payable	\$	\$	\$
Compensated absences payable			
Due to other funds			
<b>Total current liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Noncurrent liabilities</b>			
Advance from other funds	\$	\$	\$
Compensated absences payable - long-term			
Claims and judgments payable - long-term			
<b>Total noncurrent liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Total Liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b><u>Net Assets</u></b>			
Invested in capital assets net of related debt	\$	\$	\$
Unrestricted			
<b>Total Net Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Statement 12*

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	<u>Self-Insurance</u>	<u>Central Garage</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for services	\$	\$	\$
<b>Operating Expenses</b>			
Claims paid	\$	\$	\$
Administrative and fiscal services			
Other services and charges			
Depreciation			
<b>Total Operating Expenses</b>	\$	\$	\$
<b>Operating Income (Loss)</b>	\$	\$	\$
<b>Nonoperating Revenues (Expenses)</b>			
Interest income			
<b>Net Income (Loss) Before Transfers and Contributions</b>	\$	\$	\$
Transfers in			
<b>Change in Net Assets</b>	\$	\$	\$
<b>Net Assets - January 1</b>			
<b>Net Assets - December 31</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

***Statement 13***

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_**  
Increase (Decrease) in Cash and Cash Equivalents

	<u>Self-Insurance</u>	<u>Central Garage</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$	\$	\$
Receipts from internal services provided			
Payments to suppliers			
Payments to employees			
	_____	_____	_____
<b>Net cash provided by (used in) operating activities</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Advance from other funds	\$	\$	\$
	_____	_____	_____
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital contributions	\$	\$	\$
Purchases of capital assets			
	_____	_____	_____
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Cash Flows from Investing Activities</b>			
Proceeds from sales and maturities of investments	\$	\$	\$
Purchases of investments			
Investment earnings received			
	_____	_____	_____
<b>Net cash provided by (used in) investing activities</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Cash and Cash Equivalents at January 1</b>	_____	_____	_____
<b>Cash and Cash Equivalents at December 31</b>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

***Statement 13  
(Continued)***

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_**  
Increase (Decrease) in Cash and Cash Equivalents

	<u>Self-Insurance</u>	<u>Central Garage</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>			
Operating income	\$	\$	\$
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Depreciation expense	\$	\$	\$
(Increase) decrease in due from other governments			
(Increase) decrease in due from other funds			
(Increase) decrease in inventories			
(Increase) decrease in prepaid items			
Increase (decrease) in accounts payable			
Increase (decrease) in compensated absences payable			
Increase (decrease) in due to other funds			
Increase (decrease) in claims payable			
<b>Total adjustments</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Noncash Investing, Capital, and Financing Activities</b>			
Contributions of general capital assets from County	\$	\$	\$
Capital asset trade-ins			

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Statement 14*

INVESTMENT TRUST FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 200\_

	<u>Cemetery</u>	<u>Family Services Collaborative</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$	\$	\$
Receivables			
Interest			
<b>Total Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$	\$	\$
<b><u>Net Assets</u></b>			
Net assets, held in trust for pool participants	<b>\$</b>	<b>\$</b>	<b>\$</b>

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Statement 15*

INVESTMENT TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	Cemetery	Family Services Collaborative	Total
<b>Additions</b>			
Contributions from participants	\$	\$	\$
Investment earnings			
Interest	\$	\$	\$
Net (decrease) in fair value of investments			
<b>Total investment earnings</b>	\$	\$	\$
<b>Total Additions</b>	\$	\$	\$
<b>Deductions</b>			
Distributions to participants			
<b>Change in Net Assets</b>	\$	\$	\$
<b>Net Assets - January 1</b>			
<b>Net Assets - December 31</b>	\$	\$	\$

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Statement 16*

PRIVATE-PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 200\_

	<u>Missing Heirs</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$	\$	\$
Investments			
Short-term investments			
Receivables			
Interest			
<b>Total Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$	\$	\$
<b><u>Net Assets</u></b>			
Net assets, held in trust	<b>\$</b>	<b>\$</b>	<b>\$</b>

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Statement 17*

PRIVATE-PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	Missing Heirs	Cemetery Perpetual Care	Total
<b>Additions</b>			
Trust deposits	\$	\$	\$
Investment earnings			
Interest			
Net increase (decrease) in fair value of investments			
<b>Total Additions</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Deductions</b>			
Payments in accordance with trust agreements	\$	\$	\$
Payments to heirs			
<b>Total Deductions</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Change in Net Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Net Assets - January 1</b>			
<b>Net Assets - December 31</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Statement 18*  
*(Continued)*

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>SNOWMOBILE TRAILS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$	\$	\$	\$
<b><u>Liabilities</u></b>				
Accounts payable	\$	\$	\$	\$
<b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$	\$	\$	\$
Accounts receivable	\$	\$	\$	\$
<b>Total Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b><u>Liabilities</u></b>				
Due to other governments	\$	\$	\$	\$
<b><u>OTHER AGENCY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$	\$	\$	\$
<b><u>Liabilities</u></b>				
Accounts payable	\$	\$	\$	\$

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Statement 18*  
*(Continued)*

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments Due from other governments	\$	\$	\$	\$
<b>Total Assets</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b><u>COLLECTIONS FOR OTHER AGENCIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Statement 18*  
*(Continued)*

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$	\$	\$	\$
Accounts receivable				
Due from other governments				
<b>Total Assets</b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>
<b><u>Liabilities</u></b>				
Accounts payable	\$	\$	\$	\$
Due to other governments				
<b>Total Liabilities</b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

Statement 19

STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET  
COMPONENT UNIT  
AREA ICE ARENA  
DECEMBER 31, 200\_

	<u>General Fund</u>	<u>Adjustments (Note 5.C.)</u>	<u>Statement of Net Assets</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$	\$	\$
Accounts receivable			
Due from other governments			
Due from primary government			
Capital assets			
Depreciable (net)			
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>
<b><u>Liabilities</u></b>			
Current liabilities			
Accounts payable	\$	\$	\$
Salaries payable			
Accrued interest payable			
Advance from other governments			
Long-term liabilities			
Due within one year			
Due after one year			
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>
<b><u>Fund Balance</u></b>			
<b>Fund Balance</b>			
Unreserved			
Undesignated		\$	\$
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$</u></b>		
<b>Net Assets</b>			
Invested in capital assets net of related debt		\$	\$
Unrestricted			
	<hr/>	<hr/>	<hr/>
<b>Total Net Assets</b>		<b><u>\$</u></b>	<b><u>\$</u></b>

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

***Statement 20***

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
COMPONENT UNIT  
AREA ICE ARENA  
FOR THE YEAR ENDED DECEMBER 31, 200\_**

	General Fund	Adjustments (Note 5.C.)	Statement of Activities
<b>Revenues</b>			
Intergovernmental	\$	\$	\$
Charges for services			
Miscellaneous			
<b>Total Revenues</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Expenditures</b>			
<b>Current</b>			
Culture and recreation	\$	\$	\$
<b>Capital outlay</b>			
<b>Debt service</b>			
Principal			
Interest			
<b>Total Expenditures</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Fund Balance - January 1</b>			
<b>Fund Balance - December 31</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Schedule #*  
*(Continued)*

SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	Total Governmental Funds	Total Enterprise Funds	Total Primary Government	Total Component Units
<b>Shared Revenue</b>				
<b>State</b>				
Highway users tax	\$	\$	\$	\$
Market value credit				
Mobile home MVC				
PERA rate reimbursement				
Disparity reduction aid				
Family Preservation Aid				
Police aid				
Criminal justice aid				
<b>Total Shared Revenue</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Reimbursement for Services</b>				
<b>State</b>				
Minnesota Department of Human Services	\$	\$	\$	\$
<b>Payments</b>				
<b>Local</b>				
City contribution	\$	\$	\$	\$
Local health				
Local contributions				
Payments in lieu of taxes				
<b>Total Payments</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Grants</b>				
<b>State</b>				
Minnesota Department/Board of Administration	\$	\$	\$	\$
Crime Victim Services				
Revenue				
Education				
Corrections				
Public Safety				
Transportation				
Trade and Economic Security				
Health				
Natural Resources				
Human Services				
Soil and Water Resources				
Veterans Services				
Office of Environmental Assistance				
Pollution Control Agency				
Miscellaneous boards				
<b>Total State</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA

*Schedule #*  
*(Continued)*

SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 200\_

	<u>Total Governmental Funds</u>	<u>Total Enterprise Funds</u>	<u>Total Primary Government</u>	<u>Total Component Units</u>
<b>Grants (Continued)</b>				
<b>Federal</b>				
Department of Agriculture	\$	\$	\$	\$
HUD				
Justice				
Transportation				
Emergency Management				
Health and Human Services				
<b>Total Federal</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Total State and Federal Grants</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Total Intergovernmental Revenue</b>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

***Schedule ##  
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Woman, Infants and Children	10.557	\$	\$
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561		
Passed Through Minnesota Department of Agriculture Water and Waste Disposal Systems for Rural Communities	10.760		
<b>Total U.S. Department of Agriculture</b>		<b>\$</b>	<b>\$</b>
<b>U.S. Department of Housing and Urban Development</b>			
Passed Through Minnesota Department of Trade and Economic Development Community Development Block Grant/State's Program	14.228	\$	\$
Direct Section 8 Rental Voucher Program	14.855		
Lower Income Housing Assistance Program	14.856		
<b>Total U.S. Department of Housing and Urban Development</b>		<b>\$</b>	<b>\$</b>
<b>U.S. Department of Justice</b>			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance Grant	16.575	\$	\$
Byrne Formula Grant Program	16.579		
Direct Public Safety Partnership and Community Policing Grants	16.710		
<b>Total U.S. Department of Justice</b>		<b>\$</b>	<b>\$</b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Boating Safety Financial Assistance	20.005	\$	\$
State and Community Highway Safety	20.600		
<b>Total U.S. Department of Transportation</b>		<b>\$</b>	<b>\$</b>
<b>U.S. Department of Emergency Management</b>			
Passed Through Minnesota Department of Public Safety Public Assistance Grants	83.544	\$	
Emergency Management Performance Grants	83.552		
<b>Total U.S. Department of Emergency Management</b>		<b>\$</b>	<b>\$</b>

**MINNESOTA COUNTY  
MINNESOTA CITY, MINNESOTA**

***Schedule ##  
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 200\_**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	\$	\$
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families	93.558		
Passed Through Minnesota Department of Education Child Care Mandatory and Matching Funds	93.596		
Passed Through Minnesota Department of Human Services Children's Justice Grants to States	93.643		
Child Welfare Services - State Grants	93.645		
Foster Care Title IV-E	93.658		
Social Services Block Grant Title XX	93.667		
Chafee Foster Care Independent Living	93.674		
Passed Through Minnesota Department of Health Block Grant - Prevention/Treatment of Substance Abuse	93.959		
Maternal and Child Health Services Block Grant	93.994		
<b>Total U.S. Department of Health and Human Services</b>		<b>\$</b>	<b>\$</b>
<b>Total Cash Awards</b>		<b>\$</b>	<b>\$</b>
<b>Noncash Awards</b>			
U.S. Environmental Protection Agency Passed Through Minnesota Department of Agriculture Agricultural Best Management Loan Program (Ag BMP) loans	66.458		
<b>Total Federal Awards</b>		<b>\$</b>	

Notes to Schedule of Expenditures of Federal Awards

- The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Minnesota County. The County's reporting entity is defined in Note 1 to the general purpose financial statements.
- The expenditures on this schedule are on the basis of accounting used by the individual funds of the county. Governmental funds use the modified accrual basis of accounting. The basis used for CFDA No. 66.458 is the value of new loans made during the year.
- Pass-through grant numbers were not assigned by the pass-through agencies.

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SUBJECT:

Sample Annual Financial Reporting

PURPOSE:

To provide example of county annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America.

PRINCIPLES:

The financial reporting model for local government financial statements is primarily covered by GASB Statement 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments* and as subsequently modified by new GASB pronouncements. This section provides a sample of the annual financial statements for a Minnesota County. There are a number of different options available under generally accepted accounting principles (GAAP), but this section presents what is expected to be the most common options used by most counties.

A County's annual financial report will generally include two main sections: an introductory section and a financial section. The sample primarily focuses on the financial section, which includes the basic financial statements, required supplementary information, both management's discussion and analysis and budgetary comparison schedules, and supplementary information.

A comprehensive annual financial report (CAFR) includes an additional section called Statistical Information. This section is not a requirement of GAAP or COFARS, so is not included in the sample presentations.

HIGHLIGHTS:

The sample financial statements presented in this section are designed to present a number of different presentations that counties could have. However, most counties will not have a similar makeup for their annual financial report. The number, extent, and type of financial statements is primarily the result of the types of funds and whether the county has any discretely presented component units. The example financial statements have all fund types and discretely presented component units.

March 2004

The following number and types of entities are included in the example:

Governmental Funds

General Fund	1
Special Revenue Funds	10
Debt Service Funds	4
Capital Projects Funds	4
Permanent Funds	2

Proprietary Funds

Enterprise Funds	4
Internal Services Funds	2

Fiduciary Funds

Investment Trust Funds	2
Private-Purpose Trust Funds	2
Agency Funds	6

Discretely Presented Component Units 3

The example has the following major funds:

Governmental Funds

- General Fund
- Road and Bridge Special Revenue Fund
- Human Services Special Revenue Fund
- Ditch Special Revenue Fund
- Permanent Improvement Capital Projects Fund

Enterprise Funds

- Nursing Home
- Solid Waste
- Congregated Housing

March 2004

Other report highlights:

Management's discussion and analysis (MD&A) should not be a repeat of this example. We encourage counties to make their MD&A applicable to their own county. See Section 3370.

The example MD&A uses charts and graphs, which is encouraged but not required.

The report includes fund information for one of the component units, because they do not issue a separate financial report. These are presented as Statements 19 and 20.

In the Statement of Activities we have elected not to allocate indirect expenses, which is an option allowed by GASB 34.

The budgetary comparison schedules for the general fund and major special revenue funds are presented as required supplementary information rather than as part of the basic financial statements.

On the government-wide statement of net assets we have elected to aggregate information on receivables and payables. The breakdown of receivables and payables are shown in the notes to the financial statements.

We elected because of the large number of funds, to present separate nonmajor fund combining statements by governmental fund type. These combining statements are represented by statements 3 through 10. With a small number of funds, some or all of these financial statements would not be necessary. Statements 1 and 2 are combining statements of the totals from statements 3 through 10.

For the financial report we have labeled the basic financial statements as exhibits; supplementary combining and individual fund financial statements as statements; and budgetary comparison presentations and other supporting presentations as schedules.

We encourage every county to issue their annual financial report under their own cover. The example financial report includes a example cover.

March 2004

Certain additional supporting schedules are consider optional under COFARS. They are not required by GAAP, but are recommended for the additional disclosures they provide. These schedules are the following:

Schedule of County Investments or Schedule of Deposits and Investments  
Schedule of Tax Capacities, Tax Rates, Levies, and Percentage of Collections  
Balance Sheet - By Individual Ditch

Supporting schedules that the Office of the State Auditor strongly encourages are the following:

Schedule of Intergovernmental Revenues  
Schedule of Expenditures of Federal Awards

These last two schedules are included in the example annual financial report. If the County is subject to the requirements of the Single Audit Act Amendments of 1996, they are required to prepare the Schedule of Expenditures of Federal Awards. The Schedule of Intergovernmental Revenues provides a crosswalk between the financial statements and the Schedule of Expenditures of Federal Awards, as well as assist with reporting requirements to the Office of the State Auditor's Government Information Division.

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2002**



**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

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**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

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ANY CITY, MINNESOTA**

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## **INTRODUCTORY SECTION**

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**OFFICIAL LETTERHEAD  
OF  
GOVERNMENTAL UNIT**

March 1, 2003

The Honorable Chairman and Commissioners  
Minnesota County  
Any City, Minnesota

Commissioners:

The annual financial report of Minnesota County is submitted for the fiscal year ended December 31, 2002. This report was prepared by the County Auditor-Treasurer\*s Office and the Financial Services Department. This report conforms to the Governmental Accounting Standards Board pronouncements, which are accepted as generally accepted accounting principles for state and local governments in the United States.

This report consists of management’s representations and assertions concerning the finances of Minnesota County. Therefore, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, Minnesota County has established a comprehensive internal control framework that is designed to both protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of this annual financial report. Because the cost of internal controls should not outweigh their benefits, Minnesota County’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

This annual financial report consists of two parts:

1. Introductory Section - including this transmittal letter.
2. Financial Section - including the basic financial statements including notes, required supplementary information, and other supplementary data of the government, accompanied by the State Auditor’s opinion.

Copies of this report will be sent to elected officials, county management, bond rating agencies, financial institutions, and government agencies which have expressed an interest in Minnesota County\*s financial affairs.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's report on compliance and on internal controls over financial reporting, and a schedule of findings and questioned costs are included in a separately issued single audit report.

The financial reporting entity (the government) includes all funds of the primary government (i.e., the Minnesota County as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The Regional Railroad Authority is included as a blended component unit. The government provides a full range of services, including public safety and law enforcement; courts and probation services; property tax assessment and collection; vital statistics and public records; human services; environmental and public health, solid waste management, nursing home, the construction and maintenance of highways, streets and other infrastructure; recreational activities; and cultural services.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and changes in financial position from those of the primary government. The Housing and Redevelopment Authority, the Area Ice Arena, and the Lake Project Improvement District are reported as discretely presented component units.

#### Independent Audit

Minnesota State Law requires an audit to be made of the books of accounts, financial records, and transactions of the county. This requirement has been complied with, and the Independent Auditor's Report of the Office of the State Auditor has been included in this report. In addition, the audit was designed to meet the requirements of the Single Audit Act Amendments of 1996 previously discussed in this letter.

#### Acknowledgments

The preparation of this annual financial report could not be accomplished without the professional and dedicated services of the entire staffs of the Auditor-Treasurer's Office and the Financial Services Department. Also, we thank the accounting staff of the Highway and Human Services Departments for their valuable contributions to this report. Our thanks also must be given to the County Board for their unfailing support for maintaining the highest standards of professionalism in the management of Minnesota County's finances.

Respectfully submitted,

Ole Johnson  
County Auditor-Treasurer

Bythe Numbers  
Financial Services Director

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**ORGANIZATION  
AS OF DECEMBER 31, 2002**

			<u>Term Expires</u>
<b>Elected</b>			
<b>Commissioners</b>			
Chair	John Johnson	District 1	January 2003
Vice Chair	Anne Anderson	District 2	January 2003
Commissioner	Samuel Smith	District 3	January 2005
Commissioner	Julie Jones	District 4	January 2005
Commissioner	Peter Paulson	District 5	January 2003
Attorney	Joseph Barrister		January 2003
Auditor-Treasurer	Ole Johnson		January 2003
County Recorder	Mia Documents		January 2003
County Sheriff	Iam Thelaw		January 2003
<b>Appointed</b>			
Administrator	William Williams		Indefinite
Assessor	Tacs Valuation		December 2004
County Engineer	Dusty Rhodes		May 2005
Coroner	Dr. Joan Cadaver		January 2004
Court Administrator	Sandra Dockett		Indefinite
Financial Services Director	Bythe Numbers		Indefinite
Human Services Director	Vera Helpful		Indefinite
Solid Waste Officer	Travis Hauler		Indefinite
Surveyor	Lon Plotter		December 2003
Veteran Services Officer	Sam Service		Indefinite

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Minnesota County, Minnesota

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Minnesota County, Minnesota, as of and for the year ended December 31, 2002, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Minnesota County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Minnesota County, as of and for the year ended December 31, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, Minnesota County adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended; No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as

amended; No. 37, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments: Omnibus*; No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.<sup>1</sup>

The Management's Discussion and Analysis and the budgetary comparison schedules for the General Fund and the Road and Bridge, Human Services, and Ditch Special Revenue Funds on pages 3 through 14 and 95 through 101 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Minnesota County's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements and supplementary schedules on pages i through iii and pages 102 through 141 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2003, on our consideration of Minnesota County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PATRICIA ANDERSON  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: March 1, 2003

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<sup>1</sup> This paragraph is applicable only to the year of implementation of the new reporting model.



## **MINNESOTA COUNTY ANY CITY, MINNESOTA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) DECEMBER 31, 2002**

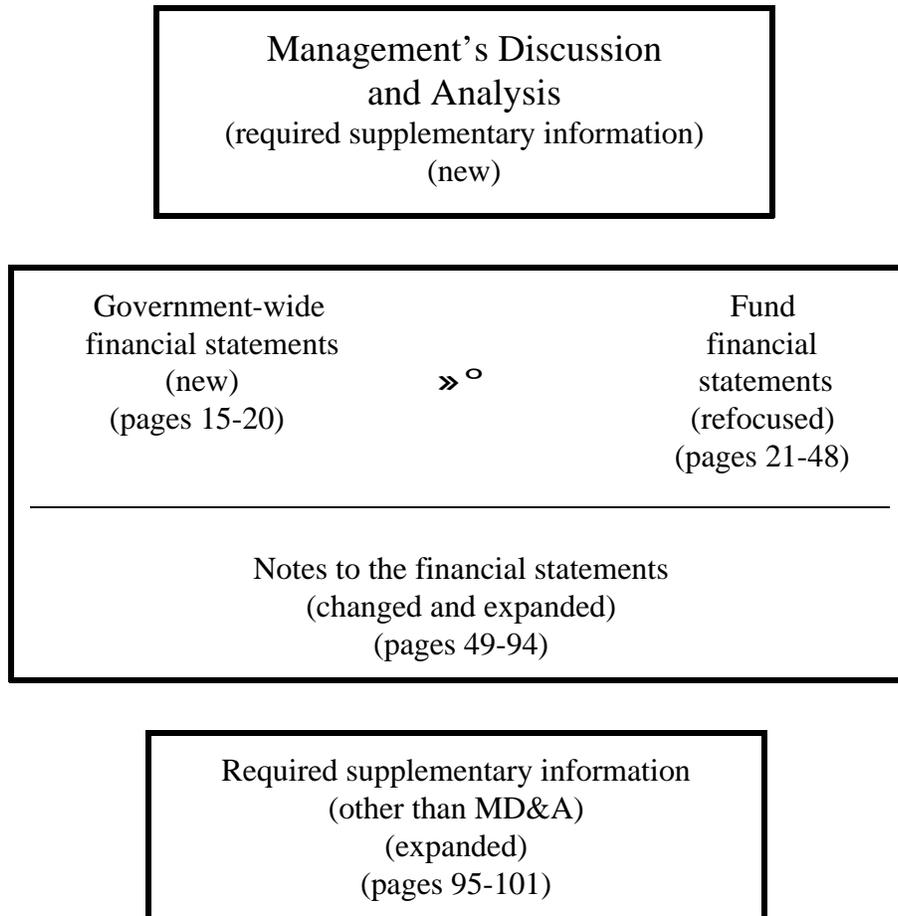
Minnesota County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2002. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Transmittal Letter (beginning on page i) and the County's financial statements (beginning on page 15).

#### **FINANCIAL HIGHLIGHTS**

- < Governmental activities' total net assets are \$82,926,889, of which \$71,182,601 is invested in capital assets, net of related debt, and \$5,195,295 is restricted to specific purposes.
- < Business-type activities have total net assets of \$17,127,104. Invested in capital assets, net of related debt represents \$9,447,114 of the total; \$5,110,779 of the total business-type net assets are restricted for specific uses.
- < Minnesota County's net assets increased by \$4,262,774 for the year ended December 31, 2002. Of the increase, \$4,138,114 was in the governmental activities' net assets, and \$124,660 represented the increase in business-type activities' net assets. The net assets of the County's discretely presented components units increased by \$3,297.
- < The net cost of governmental activities decreased by \$3,885,104 to \$7,558,213 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$11,696,327.
- < Governmental funds' fund balances increased by \$4,978,559. Most of the increase was due to the issuance of debt.
- < During the year, Minnesota County issued \$3,365,000 of general obligation bonds for new building construction and \$535,000 of general obligation capital equipment notes.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. Minnesota County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The Management's Discussion and Analysis (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are inter-related.



There are two government-wide financial statements. The Statement of Net Assets and the Statement of Activities (starting on pages 15 and 17, respectively) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 21. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

## **Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities**

Our analysis of the County as a whole begins on page 7. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. You can think of the County's net assets--the difference between assets and liabilities--as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities:

- < Governmental activities--Most of the County's basic services are reported here, including general government, public safety, highway and streets, human services, health, environmental services, culture and recreation, and conservation. Property taxes and state and federal grants finance most of these activities.
- < Business-type activities--The County charges a fee to customers to help it cover all or most of the cost of services it provides. The County's solid waste landfill, nursing home, congregate housing, and public health activities are reported here.
- < Component units--The County includes four separate legal entities in its report. One of these entities, the Regional Railroad Authority, is blended in with other funds of the County. The other three entities, the Housing and Redevelopment Authority, the Area Ice Arena, and the Lake Project Improvement District are presented in a separate column. Although legally separate, these "component units" are important because the County is financially accountable for them.

## **Fund Financial Statements**

Our analysis of the County's major funds begins on page 11. The fund financial statements begin on page 21 and provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds--governmental and the proprietary--use different accounting methods.

- < Governmental funds--Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation in a statement following each governmental fund financial statements.
  
- < Proprietary funds--When the County charges customers for the services it provides--whether to outside customers or to other units of the County--these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the governmental-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities--such as the County's Self-Insurance and Central Garage Funds.

## **Reporting the County's Fiduciary Responsibilities**

The County is the trustee, or fiduciary, over assets which can only be used for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 43 and 44. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## The County As a Whole

The County's combined net assets were increasing from \$95,791,219 to \$100,053,993. In contrast, last year's net assets decreased by \$1,100,000. Looking at the net assets and net expenses of governmental and business-type activities separately, however, two different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental and business-type activities.

**Table 1**  
**Net Assets**  
**(in Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2002	2001	2002	2001	2002	2001
<b>Assets</b>						
Current and other assets	\$ 20.0	\$ 19.2	\$ 8.2	\$ 7.5	\$ 28.2	\$ 26.7
Capital assets	<u>80.4</u>	<u>77.5</u>	<u>10.8</u>	<u>11.3</u>	<u>91.2</u>	<u>88.8</u>
Total Assets	<u>\$ 100.4</u>	<u>\$ 96.7</u>	<u>\$ 19.0</u>	<u>\$ 18.8</u>	<u>\$ 119.4</u>	<u>\$ 115.5</u>
<b>Liabilities</b>						
Long-term debt outstanding	\$ (13.7)	\$ (10.4)	\$ (1.4)	\$ (1.4)	\$ (15.1)	\$ (11.8)
Other liabilities	<u>(3.7)</u>	<u>(7.5)</u>	<u>(0.5)</u>	<u>(0.4)</u>	<u>(4.2)</u>	<u>(7.9)</u>
Total Liabilities	<u>\$ (17.4)</u>	<u>\$ (17.9)</u>	<u>\$ (1.9)</u>	<u>\$ (1.8)</u>	<u>\$ (19.3)</u>	<u>\$ (19.7)</u>
<b>Net Assets</b>						
Invested in capital assets, net of debt	\$ 71.2	\$ 67.8	\$ 9.4	\$ 9.9	\$ 80.6	\$ 77.7
Restricted	5.2	5.0	5.1	4.0	10.3	9.0
Unrestricted	<u>6.6</u>	<u>6.0</u>	<u>2.6</u>	<u>3.1</u>	<u>9.2</u>	<u>9.1</u>
Total Net Assets	<u>\$ 83.0</u>	<u>\$ 78.8</u>	<u>\$ 17.1</u>	<u>\$ 17.0</u>	<u>\$ 100.1</u>	<u>\$ 95.8</u>

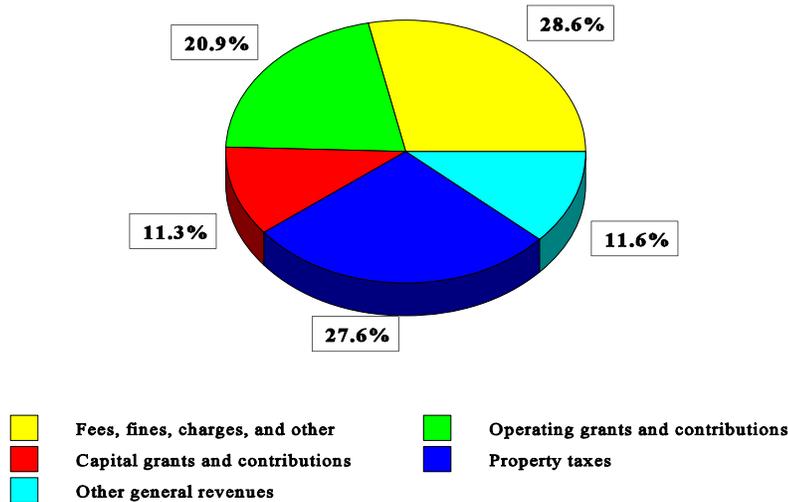
Net assets of the County governmental activities increased by 5.3 percent (\$83.0 compared to \$78.8). Unrestricted net assets--the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements--changed from a \$6.0 surplus at December 31, 2001, to \$6.6 at the end of this year. The net assets of our business-type activities remained relatively the same (\$17.1 compared to \$17.0).

**Table 2**  
**Changes in Net Assets**  
**(in Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2002	2001	2002	2001	2002	2001
<b>Revenues</b>						
<b>Program revenues</b>						
Fees, fines, charges, and other	\$ 3.5	\$ 3.1	\$ 5.1	\$ 4.9	\$ 8.6	\$ 8.0
Operating grants and contributions	5.4	4.6	0.9	1.5	6.3	6.1
Capital grants and contributions	3.4	0.3	-	-	3.4	0.3
<b>General revenues</b>						
Property taxes	8.3	8.1	-	-	8.3	8.1
Other taxes	0.2	0.2	-	-	0.2	0.2
Grants and contributions	2.0	1.9	-	-	2.0	1.9
Other general revenues	0.9	0.8	0.4	0.8	1.3	1.6
<b>Total Revenues</b>	<b>\$ 23.7</b>	<b>\$ 19.0</b>	<b>\$ 6.4</b>	<b>\$ 7.2</b>	<b>\$ 30.1</b>	<b>\$ 26.2</b>
<b>Program Expenses</b>						
General Government	\$ 3.7	\$ 3.5	\$ -	\$ -	\$ 3.7	\$ 3.5
Public Safety	2.8	2.6	-	-	2.8	2.6
Highway and Streets	4.6	4.7	-	-	4.6	4.7
Human Services	5.5	5.6	-	-	5.5	5.6
Health	1.3	1.1	-	-	1.3	1.1
Sanitation	0.3	0.3	-	-	0.3	0.3
Culture and Recreation	0.7	0.7	-	-	0.7	0.7
Conservation	0.4	0.4	-	-	0.4	0.4
Economic Development	0.1	0.1	-	-	0.1	0.1
Interest	0.5	0.4	-	-	0.5	0.4
Nursing Home	-	-	2.0	1.9	2.0	1.9
Nursing Service	-	-	0.7	0.8	0.7	0.8
Landfill	-	-	3.1	2.9	3.1	2.9
Congregate Housing	-	-	0.2	0.2	0.2	0.2
<b>Total Program Expenses</b>	<b>\$ 19.9</b>	<b>\$ 19.4</b>	<b>\$ 6.0</b>	<b>\$ 5.8</b>	<b>\$ 25.9</b>	<b>\$ 25.2</b>
<b>Excess (Deficiency) Before Special Items and Transfers</b>						
	\$ 3.8	\$ (0.4)	\$ 0.4	\$ 1.4	\$ 4.2	\$ 1.0
<b>Special items</b>						
Transfers	-	(0.5)	-	-	-	(0.5)
	0.3	(0.4)	(0.3)	0.4	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 4.1</b>	<b>\$ (1.3)</b>	<b>\$ 0.1</b>	<b>\$ 1.8</b>	<b>\$ 4.2</b>	<b>\$ 0.5</b>

The County's total revenues (excluding special items) increased by 14.8 percent (\$3.9). The total cost of all programs and services was virtually unchanged, but increased by \$0.7, or less than three percent with no new programs added this year. With this low growth in expenses, the County covered this year's costs. Our analysis below separately considers the operations of governmental and business-type activities.

## Total County Revenues (Percent of Total)



### Governmental Activities

Revenues for the County governmental activities increased by 24.7 percent (\$4.7), while total expenses increased just 2.6 percent (\$0.5). This compares to a \$1.3 decrease in net assets in the year ended December 31, 2001.

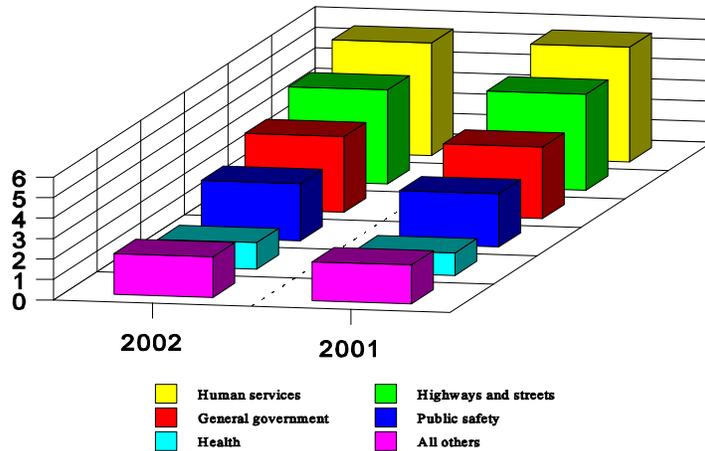
The cost of all governmental activities this year was \$19.9 compared to \$19.4 last year. However, as shown in the Statement of Activities on pages 17-20, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$8.5 because some of the cost was paid by those who directly benefited from the programs (\$3.5) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8.8). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2002 from \$8.0 to \$12.3, principally based on increases in intergovernmental aid, primarily capital grants. The County paid for the remaining "public benefit" portion of governmental activities with \$11.4 in general revenues, primarily taxes (some of which could only be used for certain programs) and other revenues, such as interest and general entitlements.

Table 3 presents the cost of each of the County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

**Table 3**  
**Governmental Activities**  
**(in Millions)**

	Total Cost of Services		Net Cost of Services	
	2002	2001	2002	2001
Human services	\$ 5.5	\$ 5.6	\$ 1.4	\$ 2.2
Highways and streets	4.6	4.7	0.8	2.8
General government	3.7	3.5	2.6	2.9
Public safety	2.8	2.6	1.6	1.9
Health	1.3	1.1	0.6	0.5
All others	2.0	1.9	0.6	1.1
<b>Totals</b>	<b>\$ 19.9</b>	<b>\$ 19.4</b>	<b>\$ 7.6</b>	<b>\$ 11.4</b>

**Governmental Activities Expenses**



The significant drop in the net cost of services is primarily due to capital grants received for highway construction and environmental projects in 2002. In addition, an additional operating grant was received for social services programs.

## **Business-Type Activities**

Revenues of the County's business-type activities (see Table 2) decreased by 11 percent (\$6.4 in 2002 compared to \$7.2 in 2001) and expenses increased by three percent. The factors driving these results include:

- < The decrease in revenues primarily is due to a grant for \$700,000 received for solid waste operations in 2001, which was not received in 2002.
- < Operations remain fairly stable in 2002 and, therefore, only the small change in expenses.

## **The County's Funds**

As the County completed the year, its governmental funds (as presented in the balance sheet on pages 21-24) reported a combined fund balance of \$15.9, which is above last year's total of \$10.9. Included in this year's total fund balance is a surplus of \$2.2 in the County's General Fund. The General Fund's change in fund balance (an increase of \$0.3 for 2002) represented only six percent of the total increase (\$5.0) in governmental fund balances. Most of the General Fund's increase is due to expenditure reductions in a number of departments. The largest increase in governmental fund balances was in the Improvement Capital Projects Fund due to the issuance of debt (\$3.9) for the government center project and capital equipment purchases.

## **General Fund Budgetary Highlights**

Over the course of the year, the County Board revised the County's General Fund budget several times. These budget amendments fall into three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts.

Even with these adjustments, the actual charges to appropriations (expenditures) were \$3.0 below the final budget amounts. The most significant positive variance (\$2.0) occurred in the County's Administration Department, where the departmental restructuring plan was deferred, resulting in a 59 percent reduction in expected expenditures. Reasons for other significant variances of actual expenditures from final budget include a lower than anticipated cost for new purchasing software, higher than anticipated overtime in the Sheriff's Department, and a delay in implementation of a new land use program to be administered by the Soil and Water Conservation District.

On the other hand, resources available for appropriation were also slightly above the final budgeted amount. Greater than expected collections for certain fees and investment earnings offset reductions in anticipated miscellaneous revenues and state appropriations.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2002, the County had \$91.2 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment (see Table 4 below). This amount represents a net increase (including additions and deductions) of just under \$2.4, or 2.7 percent, over last year.

**Table 4**  
**Capital Assets at Year-end**  
**(Net of Depreciation, in Millions)**

	Governmental Activities		Business-Type Activities		Totals	
	2002	2001	2002	2001	2002	2001
Land	\$ 0.9	\$ 0.9	\$ 0.2	\$ 0.1	\$ 1.1	\$ 1.0
Construction in progress	1.4	7.7	-	-	1.4	7.7
Buildings and improvements	20.7	13.5	5.1	5.3	25.8	18.8
Machinery, vehicles, furniture, and equipment	7.4	6.9	4.7	5.1	12.1	12.0
Landfill	-	-	0.8	0.8	0.8	0.8
Infrastructure	<u>50.0</u>	<u>48.5</u>	<u>-</u>	<u>-</u>	<u>50.0</u>	<u>48.5</u>
Totals	<u>\$ 80.4</u>	<u>\$ 77.5</u>	<u>\$ 10.8</u>	<u>\$ 11.3</u>	<u>\$ 91.2</u>	<u>\$ 88.8</u>

This year's major additions included (in millions):

- < Substantial completion of a new jail facility resulted in a transfer of \$6.5 to buildings from construction in progress.
- < County Highway 27 improvement project was completed and represented a \$2.3 increase in infrastructure.
- < A \$1.2 addition to the Human Services Center was completed.

The County's fiscal year 2003 capital budget calls for it to spend another \$6.7 for capital projects, principally for the initiation or completion of its government center project, sanitary sewer construction, landfill expansion, and the Highway 14 bridge project. The County has plans to issue additional debt to finance the landfill project. For the other projects, we will use bond proceeds from debt issued this year and resources on hand in the County's Road and Bridge and Capital Projects Funds. More detailed information about the County's capital assets is presented in Note 3.A.3. to the financial statements.

## Debt

At year-end, the County had \$14.9 in bonds and notes outstanding versus \$11.7 last year--an increase of 27 percent--as shown in Table 5.

**Table 5**  
**Outstanding Debt, at Year-end**  
**(in Millions)**

	Governmental Activities		Business-Type Activities		Totals	
	2002	2001	2002	2001	2002	2001
General obligation bonds and notes (backed by the County)	\$ 12.9	\$ 9.6	\$ 1.4	\$ 1.4	\$ 14.3	\$ 11.0
Special assessment bonds with government commitment	<u>0.6</u>	<u>0.7</u>	<u>-</u>	<u>-</u>	<u>0.6</u>	<u>0.7</u>
Totals	<u>\$ 13.5</u>	<u>\$ 10.3</u>	<u>\$ 1.4</u>	<u>\$ 1.4</u>	<u>\$ 14.9</u>	<u>\$ 11.7</u>

New debt resulted mainly from issuing general obligation bonds (\$3.4) for one new project--the government center project. Minnesota County also issued \$0.5 general obligation equipment notes to purchase new equipment.

The County's general obligation bond rating continues to carry the third highest rating possible, a rating that has been assigned by national rating agencies to the County's debt since 1996. The state limits the amount of net debt that the counties can issue to two percent of the market value of all taxable property in the County. The County's outstanding net debt is significantly below this \$57.2 state-imposed limit.

The County does not purchase commercial insurance for employee health and dental coverage and has claims and judgments of \$0.1 outstanding at year-end compared with \$0.2 last year. Other obligations include accrued vacation pay and sick leave payable. More detailed information about the County's long-term liabilities is presented in Note 3.C. to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal-year 2003 budget, tax rates, and fees that will be charged for the business-type activities.

- < The State of Minnesota has projected a significant budget deficit and it is anticipated that there will be significant reductions in state aids to local governments. The County believes this will result in an amendment to the 2003 budget.

- < An increase in the unemployment rate in Minnesota County from 3.1 percent to 3.5 percent in 2002 could impact the level of services requested by County residents.
- < County General Fund expenditures for 2003 are budgeted to increase eight percent over 2002.
- < The new jail expected to result in ten percent increase in fees received for boarding of prisoners from other jurisdictions.
- < Property taxes levies have increased 4.5 percent for 2003.
- < A reduction in reimbursement rates for the Nursing Home is estimated to result in the need for a \$0.1 operating subsidy from the General Fund.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County's Auditor/Treasurer, Ole Johnson, Minnesota County Courthouse, 100 Main Street, Any City, Minnesota 55555.

## **BASIC FINANCIAL STATEMENTS**

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2002**

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 15,836,830	\$ 2,399,277	\$ 18,236,107	\$ 379,796
Investments	617,730	271,285	889,015	-
Receivables - net	2,992,733	506,555	3,499,288	98,843
Internal balances	311,995	(311,995)	-	-
Due from primary government	-	-	-	69,994
Inventories	182,562	19,760	202,322	-
Prepaid items	37,800	81,307	119,107	2,941
Restricted assets				
Cash and pooled investments	-	194,034	194,034	-
Investments	-	4,917,076	4,917,076	-
Accrued interest receivable	-	48,395	48,395	-
Deferred charges	28,130	-	28,130	-
Capital assets				
Non-depreciable capital assets	2,300,625	239,067	2,539,692	70,500
Depreciable capital assets - net of accumulated depreciation	78,091,909	10,590,922	88,682,831	1,497,031
<b>Total Assets</b>	<b>\$ 100,400,314</b>	<b>\$ 18,955,683</b>	<b>\$ 119,355,997</b>	<b>\$ 2,119,105</b>
<b><u>Liabilities</u></b>				
Accounts payable and other current liabilities	\$ 1,960,842	\$ 192,414	\$ 2,153,256	\$ 133,053
Accrued interest payable	75,102	-	75,102	4,848
Due to component unit	69,994	-	69,994	-
Unearned revenue	110,150	7,866	118,016	19,808
Customer deposits	-	-	-	3,625
Payable from restricted assets				
Rent deposits	-	9,081	9,081	-
Long-term liabilities				
Due within one year	1,073,364	107,514	1,180,878	64,580
Due within more than one year	14,142,818	1,552,859	15,695,677	576,412
<b>Total Liabilities</b>	<b>\$ 17,432,270</b>	<b>\$ 1,869,734</b>	<b>\$ 19,302,004</b>	<b>\$ 802,326</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2002**

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b><u>Net Assets</u></b>				
Invested in capital assets net of related debt	\$ 71,182,601	\$ 9,447,114	\$ 80,629,715	\$ 1,154,973
Restricted for				
Highways and streets	235,105	-	235,105	-
Sanitation	1,593,996	-	1,593,996	-
Human services	56,204	-	56,204	-
Capital projects	946,100	1,123,027	2,069,127	-
Debt service	1,331,468	160,686	1,492,154	-
Equipment replacement	-	2,914,473	2,914,473	-
Postclosure	-	829,501	829,501	-
Other purposes	1,032,422	83,092	1,115,514	-
Unrestricted	6,590,148	2,528,056	9,118,204	161,806
<b>Total Net Assets</b>	<b><u>\$ 82,968,044</u></b>	<b><u>\$ 17,085,949</u></b>	<b><u>\$ 100,053,993</u></b>	<b><u>\$ 1,316,779</u></b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Primary Government</b>			
<b>Governmental activities</b>			
General government	\$ 3,684,690	\$ 785,090	\$ 195,079
Public safety	2,797,746	822,564	365,645
Highways and streets	4,625,755	76,312	1,505,619
Sanitation	266,259	7,411	-
Human services	5,512,525	1,139,713	3,000,967
Health	1,303,625	532,209	162,569
Culture and recreation	682,406	46,771	120,117
Conservation of natural resources	455,578	41,197	90,723
Economic development	51,250	-	-
Interest	523,806	-	-
<b>Total governmental activities</b>	<b>\$ 19,903,640</b>	<b>\$ 3,451,267</b>	<b>\$ 5,440,719</b>
<b>Business-type activities</b>			
Nursing home	\$ 2,035,522	\$ 2,104,058	\$ -
Nursing services	717,001	16,915	718,456
Solid waste	3,052,290	2,804,595	210,527
Congregate housing	251,021	214,698	-
<b>Total business-type activities</b>	<b>\$ 6,055,834</b>	<b>\$ 5,140,266</b>	<b>\$ 928,983</b>
<b>Total Primary Government</b>	<b>\$ 25,959,474</b>	<b>\$ 8,591,533</b>	<b>\$ 6,369,702</b>
<b>Component Units</b>			
Housing and Redevelopment Authority	\$ 365,728	\$ 59,906	\$ 218,333
Area Ice Arena	255,367	184,196	63,725
Lake Project Improvement District	76,993	-	-
<b>Total Component Units</b>	<b>\$ 698,088</b>	<b>\$ 244,102</b>	<b>\$ 282,058</b>

**EXHIBIT 2**  
**(Continued)**

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Discretely Presented Component Units
	Governmental Activities	Primary Government Business-Type Activities	Total	
\$ 24,000	\$ (2,680,521)	\$ -	\$ (2,680,521)	
-	(1,609,537)	-	(1,609,537)	
2,243,724	(800,100)	-	(800,100)	
1,137,348	878,500	-	878,500	
-	(1,371,845)	-	(1,371,845)	
-	(608,847)	-	(608,847)	
-	(515,518)	-	(515,518)	
48,369	(275,289)	-	(275,289)	
-	(51,250)	-	(51,250)	
-	(523,806)	-	(523,806)	
<b>\$ 3,453,441</b>	<b>\$ (7,558,213)</b>	<b>\$ -</b>	<b>\$ (7,558,213)</b>	
\$ 2,200	\$ -	\$ 70,736	\$ 70,736	
-	-	18,370	18,370	
-	-	(37,168)	(37,168)	
-	-	(36,323)	(36,323)	
<b>\$ 2,200</b>	<b>\$ -</b>	<b>\$ 15,615</b>	<b>\$ 15,615</b>	
<b>\$ 3,455,641</b>	<b>\$ (7,558,213)</b>	<b>\$ 15,615</b>	<b>\$ (7,542,598)</b>	
\$ -				\$ (87,489)
-				(7,446)
29,612				(47,381)
<b>\$ 29,612</b>				<b>\$ (142,316)</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>	<b>Program Revenues Operating Grants and Contributions</b>
<b>General Revenues</b>			
Property taxes			
Gravel taxes			
Mortgage registry and deed tax			
Local sales tax			
Payments in lieu of tax			
Grants and contributions not restricted to specific programs			
Unrestricted investment earnings			
Miscellaneous			
Loss on sale of capital assets			
Transfers			
Payments to component units			
<b>Total general revenues, transfers, and other items</b>			
<b>Change in net assets</b>			
<b>Net Assets - Beginning</b>			
<b>Net Assets - Ending</b>			

**EXHIBIT 2**  
**(Continued)**

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Discretely Presented Component Units</u>
	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>	
\$ 8,347,095	\$ -	\$ 8,347,095	\$ -	
160,884	-	160,884	-	
26,993	-	26,993	-	
-	-	-	75,202	
135,141	-	135,141	-	
2,049,657	4,826	2,054,483	-	
640,263	414,577	1,054,840	2,570	
92,788	600	93,388	7,841	
(7,452)	-	(7,452)	-	
310,958	(310,958)	-	-	
(60,000)	-	(60,000)	60,000	
<b>\$ 11,696,327</b>	<b>\$ 109,045</b>	<b>\$ 11,805,372</b>	<b>\$ 145,613</b>	
<b>\$ 4,138,114</b>	<b>\$ 124,660</b>	<b>\$ 4,262,774</b>	<b>\$ 3,297</b>	
<b>78,829,930</b>	<b>16,961,289</b>	<b>95,791,219</b>	<b>1,313,482</b>	
<b>\$ 82,968,044</b>	<b>\$ 17,085,949</b>	<b>\$ 100,053,993</b>	<b>\$ 1,316,779</b>	

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2002**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 1,728,922	\$ 4,465,796
Petty cash and change funds	3,480	20
Undistributed cash in agency funds	83,917	125,797
Departmental cash	14,535	-
Cash with escrow agent	-	-
Investments	-	-
Taxes receivable		
Current	15,507	37,585
Prior	101,518	29,852
Special assessments receivable		
Current	-	-
Prior	-	-
Noncurrent	-	-
Accounts receivable	63,995	1,676
Accrued interest receivable	437,890	-
Due from other funds	67,510	63,229
Due from other governments	173,009	389,732
Inventories	-	159,462
Advances to other funds	124,838	-
	<b>\$ 2,815,121</b>	<b>\$ 5,273,149</b>
<b>Total Assets</b>	<b>\$ 2,815,121</b>	<b>\$ 5,273,149</b>

**EXHIBIT 3**  
**(Continued)**

<b>Human Services</b>	<b>Ditch</b>	<b>Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 557,835	\$ 180	\$ 3,763,785	\$ 3,951,814	\$ 14,468,332
100	-	-	100	3,700
23,037	821	-	15,416	248,988
-	-	-	-	14,535
-	-	-	202,844	202,844
-	-	-	600,530	600,530
29,319	-	-	14,111	96,522
20,256	-	-	6,189	157,815
-	600	-	2,942	3,542
-	29	-	3,536	3,565
-	733,926	-	341,104	1,075,030
68,597	-	-	62,407	196,675
-	-	-	5,913	443,803
-	-	317,289	66,123	514,151
196,845	-	-	249,795	1,009,381
-	-	-	-	159,462
-	-	-	60,712	185,550
<b><u>\$ 895,989</u></b>	<b><u>\$ 735,556</u></b>	<b><u>\$ 4,081,074</u></b>	<b><u>\$ 5,583,536</u></b>	<b><u>\$ 19,384,425</u></b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2002**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 106,920	\$ 50,312
Salaries payable	156,868	44,929
Contracts payable	52,491	345,126
Due to other funds	28,722	35,800
Due to other governments	22,634	5,214
Due to component units	69,994	-
Deferred revenue - unavailable	117,025	67,437
Deferred revenue - unearned	-	-
Advance from other funds	-	-
	<b>\$ 554,654</b>	<b>\$ 548,818</b>
<b>Fund Balances</b>		
Reserved for		
Encumbrances	\$ 9,387	\$ 188,171
Inventories	-	159,462
Advances to other funds	124,838	-
Sheriff's contingency	2,000	-
Enhanced 911	45,928	-
Victim assistance	-	-
Conservation	-	-
Gravel pit closure	-	-
Endowments	-	-
Unreserved		
Designated for future expenditures	1,647,874	3,806,152
Designated for petty cash funds	3,480	20
Designated for compensated absences	87,096	-
Undesignated	339,864	570,526
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service funds	-	-
Capital projects funds	-	-
Permanent funds	-	-
	<b>\$ 2,260,467</b>	<b>\$ 4,724,331</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,815,121</b>	<b>\$ 5,273,149</b>

**EXHIBIT 3**  
**(Continued)**

<b>Human Services</b>	<b>Ditch</b>	<b>Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 238,777	\$ 4,223	\$ 1,116	\$ 40,402	\$ 441,750
71,967	-	-	8,209	281,973
-	-	273,928	79,558	751,103
5,887	-	-	176,885	247,294
21,985	1,018	-	62,772	113,623
-	-	-	-	69,994
49,575	734,555	-	366,340	1,334,932
50,994	-	-	59,156	110,150
-	93,238	-	60,712	153,950
<b>\$ 439,185</b>	<b>\$ 833,034</b>	<b>\$ 275,044</b>	<b>\$ 854,034</b>	<b>\$ 3,504,769</b>
\$ -	\$ -	\$ 518,559	\$ 35,000	\$ 751,117
-	-	-	-	159,462
-	-	-	-	124,838
-	-	-	-	2,000
-	-	-	-	45,928
-	-	-	8,979	8,979
-	-	-	7,355	7,355
-	-	-	254,914	254,914
-	-	-	110,561	110,561
242,208	-	-	-	5,696,234
100	-	-	-	3,600
-	-	-	-	87,096
214,496	(97,478)	3,287,471	-	4,314,879
-	-	-	1,925,303	1,925,303
-	-	-	1,380,001	1,380,001
-	-	-	946,100	946,100
-	-	-	61,289	61,289
<b>\$ 456,804</b>	<b>\$ (97,478)</b>	<b>\$ 3,806,030</b>	<b>\$ 4,729,502</b>	<b>\$ 15,879,656</b>
<b>\$ 895,989</b>	<b>\$ 735,556</b>	<b>\$ 4,081,074</b>	<b>\$ 5,583,536</b>	<b>\$ 19,384,425</b>

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**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2002**

Fund Balances - Total Governmental Funds (Exhibit 3)	\$	15,879,656
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		80,392,534
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		1,334,932
Internal service funds are used by management to charge the costs of management of fleet maintenance and self-insurance to individual funds.		
The assets and liabilities that are included in governmental activities in the statement of net assets are:		
Total internal services net assets	\$ 2,799,510	
Net assets representing capital assets included above	<u>(2,313,300)</u>	486,210
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (12,389,875)	
Special assessment bonds	(640,000)	
Notes payable	(529,677)	
Capital leases	(124,541)	
Loans payable	(50,000)	
Compensated absences	(1,344,223)	
Accrued interest payable	(75,102)	
Deferred debt issuance charges	<u>28,130</u>	<u>(15,125,288)</u>
<b>Net Assets of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b><u>82,968,044</u></b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 3,698,719	\$ 2,107,561
Special assessments	-	-
Licenses and permits	74,700	-
Intergovernmental	1,411,282	4,353,587
Charges for services	1,646,062	74,852
Fines and forfeits	174,160	-
Gifts and contributions	9,823	-
Interest on investments	564,845	-
Miscellaneous	341,568	1,460
	<b>\$ 7,921,159</b>	<b>\$ 6,537,460</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 3,057,077	\$ -
Public safety	2,411,235	-
Highways and streets	-	6,304,420
Sanitation	-	-
Human services	-	-
Health	1,206,334	-
Culture and recreation	490,079	-
Conservation	329,679	-
Economic development	1,000	-
<b>Capital outlay</b>	-	-
<b>Debt service</b>		
Principal retirement	37,575	269,184
Interest	6,206	5,749
Bond issuance costs	-	-
	<b>\$ 7,539,185</b>	<b>\$ 6,579,353</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 381,974</b>	<b>\$ (41,893)</b>

**EXHIBIT 5**  
**(Continued)**

Human Services	Ditch	Improvement	Other Governmental Funds	Total Governmental Funds
\$ 1,518,490	\$ -	\$ -	\$ 1,160,330	\$ 8,485,100
-	111,201	-	231,754	342,955
-	-	-	33,966	108,666
3,662,148	-	-	1,479,412	10,906,429
209,416	-	-	17,507	1,947,837
-	-	-	5,000	179,160
-	-	-	18,749	28,572
-	-	13,330	81,556	659,731
311,427	-	-	653,937	1,308,392
<b>\$ 5,701,481</b>	<b>\$ 111,201</b>	<b>\$ 13,330</b>	<b>\$ 3,682,211</b>	<b>\$ 23,966,842</b>
\$ -	\$ -	\$ -	\$ 9,927	\$ 3,067,004
-	-	-	61,339	2,472,574
-	-	-	-	6,304,420
-	-	-	266,259	266,259
5,486,985	-	-	-	5,486,985
-	-	-	123,028	1,329,362
-	-	-	211,356	701,435
-	46,399	-	99,792	475,870
-	-	-	50,250	51,250
-	-	367,966	1,526,937	1,894,903
-	35,000	-	280,000	621,759
-	55,113	-	421,184	488,252
-	-	30,005	-	30,005
<b>\$ 5,486,985</b>	<b>\$ 136,512</b>	<b>\$ 397,971</b>	<b>\$ 3,050,072</b>	<b>\$ 23,190,078</b>
<b>\$ 214,496</b>	<b>\$ (25,311)</b>	<b>\$ (384,641)</b>	<b>\$ 632,139</b>	<b>\$ 776,764</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	General	Road and Bridge
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 50,000	\$ -
Transfers out	(103,298)	-
Bonds and notes issued	-	-
Loans issued	-	-
Transfer to component unit	-	-
Proceeds from sale of capital assets	13,467	4,209
Discount on bond issuance	-	-
Compensation for loss of capital assets	-	5,572
Proceeds from capital lease	-	49,407
	<b>\$ (39,831)</b>	<b>\$ 59,188</b>
 <b>Net Change in Fund Balances</b>	 <b>\$ 342,143</b>	 <b>\$ 17,295</b>
<b>Fund Balance - January 1</b>	<b>1,918,324</b>	<b>4,706,346</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>690</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,260,467</b>	<b>\$ 4,724,331</b>

**EXHIBIT 5**  
**(Continued)**

<b>Human Services</b>	<b>Ditch</b>	<b>Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 150,000	\$ -	\$ 317,289	\$ 401,664	\$ 918,953
(150,000)	-	-	(399,897)	(653,195)
-	-	3,900,000	-	3,900,000
-	-	-	50,000	50,000
-	-	-	(60,000)	(60,000)
-	-	-	-	17,676
-	-	(26,618)	-	(26,618)
-	-	-	-	5,572
-	-	-	-	49,407
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,190,671</b>	<b>\$ (8,233)</b>	<b>\$ 4,201,795</b>
<b>\$ 214,496</b>	<b>\$ (25,311)</b>	<b>\$ 3,806,030</b>	<b>\$ 623,906</b>	<b>\$ 4,978,559</b>
<b>242,308</b>	<b>(72,167)</b>	<b>-</b>	<b>4,105,596</b>	<b>10,900,407</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>690</b>
<b>\$ 456,804</b>	<b>\$ (97,478)</b>	<b>\$ 3,806,030</b>	<b>\$ 4,729,502</b>	<b>\$ 15,879,656</b>

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**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)	\$	4,979,249
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustment	\$ 6,670,132	
Current year depreciation	(3,913,376)	2,756,756
In the statement of activities, only the gain or loss on the disposal of capital assets are reported whereas, in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the cost of the capital assets disposed of.		
		(30,700)
The fair value of capital asset donations are reported as revenues in the statement of activity, but are not reported in governmental funds.		
		20,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(194,894)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The net proceeds for debt issuance are:		
		(3,942,784)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal repayments		
General obligation bonds	\$ 535,000	
Special assessment bonds	35,000	
Capital lease	51,759	621,759
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable	\$ (32,509)	
Amortization of discounts and deferred issuance charges	(3,045)	
Change in compensated absences	(86,995)	(122,549)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities.		
Transfer	\$ 45,200	
Governmental activities' share of net income before transfers	6,077	51,277
Change in Net Assets of Governmental Activities (Exhibit 2)	<b>\$</b>	<b><u>4,138,114</u></b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2002**

	Nursing Home	Solid Waste
<u>Assets</u>		
<b>Current assets</b>		
Cash and pooled investments	\$ 585,622	\$ 1,551,727
Undistributed cash in agency funds	-	35,810
Petty cash and change funds	100	300
Investments	35,000	236,285
Special assessments		
Prior	-	34,454
Accounts receivable (net)	183,051	167,200
Accrued interest receivable	315	7,232
Due from other funds	-	-
Due from other governments	-	29,895
Inventories	19,019	-
Prepaid items	3,241	78,066
	<b>\$ 826,348</b>	<b>\$ 2,140,969</b>
<b>Restricted assets</b>		
Cash and pooled investments	\$ 24,267	\$ -
Investments	12,000	4,905,076
Accrued interest receivable	-	48,395
	<b>\$ 36,267</b>	<b>\$ 4,953,471</b>
<b>Noncurrent assets</b>		
Advance to other funds	\$ 46,764	\$ -
Capital assets		
Nondepreciable	16,175	222,892
Depreciable (net)	535,265	8,829,515
	<b>\$ 598,204</b>	<b>\$ 9,052,407</b>
<b>Total Assets</b>	<b>\$ 1,460,819</b>	<b>\$ 16,146,847</b>

**EXHIBIT 7**  
**(Continued)**

<b>Enterprise Funds</b>					<b>Internal Service Funds</b>
<b>Congregate Housing</b>	<b>Nonmajor Nursing Service</b>	<b>Totals</b>			
\$ 33,740	\$ 191,928	\$ 2,363,017		\$ 898,431	
-	-	35,810		-	
50	-	450		-	
-	-	271,285		17,200	
-	-	34,454		-	
-	-	350,251		-	
-	-	7,547		2,200	
5,457	-	5,457		63,700	
-	84,408	114,303		4,200	
741	-	19,760		23,100	
-	-	81,307		37,800	
<b>\$ 39,988</b>	<b>\$ 276,336</b>	<b>\$ 3,283,641</b>		<b>\$ 1,046,631</b>	
\$ 169,767	\$ -	\$ 194,034		\$ -	
-	-	4,917,076		-	
-	-	48,395		-	
<b>\$ 169,767</b>	<b>\$ -</b>	<b>\$ 5,159,505</b>		<b>\$ -</b>	
\$ -	\$ -	\$ 46,764		\$ -	
-	-	239,067		-	
1,214,953	11,189	10,590,922		2,313,300	
<b>\$ 1,214,953</b>	<b>\$ 11,189</b>	<b>\$ 10,876,753</b>		<b>\$ 2,313,300</b>	
<b>\$ 1,424,708</b>	<b>\$ 287,525</b>	<b>\$ 19,319,899</b>		<b>\$ 3,359,931</b>	

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2002**

	<b>Nursing Home</b>	<b>Solid Waste</b>
<b><u>Liabilities</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$ 28,315	\$ 99,661
Salaries payable	-	884
Compensated absences payable - current	7,248	62,860
Due to other funds	-	317,289
Due to other governments	-	944
Deferred revenue	-	-
General obligation bonds payable - current	-	-
<b>Total current liabilities</b>	<b>\$ 35,563</b>	<b>\$ 481,638</b>
<b>Current liabilities payable from restricted assets</b>		
Rent deposits	\$ -	\$ -
<b>Noncurrent liabilities</b>		
Compensated absences payable - long-term	\$ 54,456	\$ 43,627
Advance from other funds	-	-
Claims and judgments payable - long-term	-	-
Estimated liability for landfill closure/postclosure	-	96,667
General obligation bonds payable - long-term	-	-
<b>Total noncurrent liabilities</b>	<b>\$ 54,456</b>	<b>\$ 140,294</b>
<b>Total Liabilities</b>	<b>\$ 90,019</b>	<b>\$ 621,932</b>
<b>Net Assets</b>		
Invested in capital assets net of related debt	\$ 551,440	\$ 9,052,407
Restricted for		
Postclosure	-	829,501
Equipment replacement	-	2,914,473
Debt service	-	-
Other purposes	26,070	-
Capital projects	10,197	1,112,830
Unrestricted	783,093	1,615,704
<b>Total Net Assets</b>	<b>\$ 1,370,800</b>	<b>\$ 15,524,915</b>

Some amounts reported for business-type activities in the Statement of Net Assets (Exhibit 1) are different because certain internal service fund assets and liabilities are included with business-type activities.

**EXHIBIT 7**  
**(Continued)**

<b>Enterprise Funds</b>					<b>Internal Service Funds</b>
<b>Congregate Housing</b>	<b>Nonmajor Nursing Service</b>	<b>Totals</b>			
\$ 2,921	\$ 50,706	\$ 181,603	\$	372,393	
-	7,801	8,685		-	
99	12,307	82,514		2,000	
25	-	317,314		18,700	
1,182	-	2,126		-	
-	7,866	7,866		-	
25,000	-	25,000		-	
<b>\$ 29,227</b>	<b>\$ 78,680</b>	<b>\$ 625,108</b>	<b>\$</b>	<b>393,093</b>	
<b>\$ 9,081</b>	<b>\$ -</b>	<b>\$ 9,081</b>	<b>\$</b>	<b>-</b>	
\$ 234	\$ -	\$ 98,317	\$	3,100	
46,764	-	46,764		31,600	
-	-	-		132,766	
-	-	96,667		-	
1,357,875	-	1,357,875		-	
<b>\$ 1,404,873</b>	<b>\$ -</b>	<b>\$ 1,599,623</b>	<b>\$</b>	<b>167,466</b>	
<b>\$ 1,443,181</b>	<b>\$ 78,680</b>	<b>\$ 2,233,812</b>	<b>\$</b>	<b>560,559</b>	
\$ (167,922)	\$ 11,189	\$ 9,447,114	\$	2,313,300	
-	-	829,501		-	
-	-	2,914,473		-	
160,686	-	160,686		-	
-	57,022	83,092		-	
-	-	1,123,027		-	
(11,237)	140,634	2,528,194		486,072	
<b>\$ (18,473)</b>	<b>\$ 208,845</b>	<b>\$ 17,086,087</b>	<b>\$</b>	<b>2,799,372</b>	
		(138)			
		<b>\$ 17,085,949</b>			

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Nursing Home</u>	<u>Solid Waste</u>
<b>Operating Revenues</b>		
Charges for services	\$ 2,056,316	\$ 1,930,461
Meals	36,565	-
Rents	-	-
Laundry	-	-
Miscellaneous	11,177	-
<b>Total Operating Revenues</b>	<b>\$ 2,104,058</b>	<b>\$ 1,930,461</b>
<b>Operating Expenses</b>		
Personal services	\$ 1,258,275	\$ 764,555
Employee benefits and payroll taxes	140,478	156,321
Professional services	-	330,657
Claims paid	-	-
Administration and fiscal services	-	-
Other services and charges	518,908	950,024
Supplies	47,902	81,339
Distributions to subgrantees	-	-
Depreciation	69,878	765,139
Landfill closure and postclosure costs	-	4,198
<b>Total Operating Expenses</b>	<b>\$ 2,035,441</b>	<b>\$ 3,052,233</b>
<b>Operating Income (Loss)</b>	<b>\$ 68,617</b>	<b>\$ (1,121,772)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Special assessments	\$ -	\$ 874,134
Intergovernmental	-	214,398
Interest income	1,925	399,707
Interest on intergovernmental transfers	7,488	-
Gifts and contributions	2,200	-
Gain on sale/disposal of capital assets	-	600
Interest expense	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 11,613</b>	<b>\$ 1,488,839</b>

**EXHIBIT 8**  
**(Continued)**

<b>Enterprise Funds</b>					<b>Internal Service Funds</b>
<b>Congregate Housing</b>	<b>Nonmajor Nursing Service</b>	<b>Totals</b>			
\$ -	\$ -	\$ 3,986,777		\$ 2,934,602	
37,582	-	74,147		-	
175,080	-	175,080		-	
1,358	-	1,358		-	
678	16,915	28,770		-	
<b>\$ 214,698</b>	<b>\$ 16,915</b>	<b>\$ 4,266,132</b>		<b>\$ 2,934,602</b>	
\$ 27,393	\$ 200,919	\$ 2,251,142		\$ -	
-	-	296,799		-	
44,191	41,227	416,075		-	
-	-	-		1,672,163	
-	-	-		70,600	
38,557	82,445	1,589,934		772,900	
3,631	17,947	150,819		-	
-	372,426	372,426		-	
50,729	2,037	887,783		419,300	
-	-	4,198		-	
<b>\$ 164,501</b>	<b>\$ 717,001</b>	<b>\$ 5,969,176</b>		<b>\$ 2,934,963</b>	
<b>\$ 50,197</b>	<b>\$ (700,086)</b>	<b>\$ (1,703,044)</b>		<b>\$ (361)</b>	
\$ -	\$ -	\$ 874,134		\$ -	
-	719,411	933,809		-	
5,457	-	407,089		6,300	
-	-	7,488		-	
-	-	2,200		-	
-	-	600		-	
(86,520)	-	(86,520)		-	
<b>\$ (81,063)</b>	<b>\$ 719,411</b>	<b>\$ 2,138,800</b>		<b>\$ 6,300</b>	

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Nursing Home</u>	<u>Solid Waste</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>\$ 80,230</b>	<b>\$ 367,067</b>
Transfers in	-	-
Transfers out	(48,930)	(317,289)
<b>Change in Net Assets</b>	<b>\$ 31,300</b>	<b>\$ 49,778</b>
<b>Net Assets - January 1</b>	<b>1,339,500</b>	<b>15,475,137</b>
<b>Net Assets - December 31</b>	<b><u>1,370,800</u></b>	<b><u>15,524,915</u></b>

Some amounts reported for business-type activities in the Statement of Activities (Exhibit 2) are different because the net revenue (expense) of the Self-Insurance Internal Service Fund is reported with business-type activities.

**Change in Net Assets of Business-Type Activities**

**EXHIBIT 8**  
**(Continued)**

<b>Enterprise Funds</b>				<b>Internal Service Funds</b>
<b>Congregate Housing</b>	<b>Nonmajor Nursing Service</b>	<b>Totals</b>		
\$ (30,866)	\$ 19,325	\$ 435,756		\$ 5,939
55,261	-	55,261		2,205,500
-	-	(366,219)		-
\$ 24,395	\$ 19,325	\$ 124,798		\$ 2,211,439
(42,868)	189,520			587,933
<u>\$ (18,473)</u>	<u>\$ 208,845</u>			<u>\$ 2,799,372</u>
		(138)		
		<u>\$ 124,660</u>		

**MINNESOTA COUNTY  
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**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Nursing Home</u>	<u>Solid Waste</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 2,098,393	\$ 1,906,796
Receipts from internal services provided	-	-
Payments to suppliers	(471,594)	(1,381,736)
Payments to employees	(1,492,637)	(910,743)
Payments to subrecipients	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 134,162</b>	<b>\$ (385,683)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Advance from other funds	\$ -	\$ -
Special assessments	-	905,312
Intergovernmental	-	184,503
Rent deposits	-	-
Contributions	2,200	-
Transfers in	-	-
Transfers out	(48,930)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ (46,730)</b>	<b>\$ 1,089,815</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital contributions	\$ -	\$ -
Principal paid on long-term debt	-	-
Interest paid on long-term debt	-	-
Proceeds from the sale of capital assets	-	600
Purchases of capital assets	(48,040)	(371,233)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (48,040)</b>	<b>\$ (370,633)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	\$ -	\$ -
Purchase of investments	(12,000)	(23,396)
Investment earnings received	1,955	391,275
Interest on intergovernmental transfers	7,488	-
<b>Net cash provided by (used in) investing activities</b>	<b>\$ (2,557)</b>	<b>\$ 367,879</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 36,835</b>	<b>\$ 701,378</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>573,154</b>	<b>886,459</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 609,989</b>	<b>\$ 1,587,837</b>

**EXHIBIT 9**  
**(Continued)**

<b>Enterprise Funds</b>						<b>Internal Service Funds</b>	
<b>Congregate Housing</b>	<b>Nonmajor Nursing Service</b>	<b>Totals</b>					
\$ 215,723	\$ 16,915	\$ 4,237,827	\$ 124,000				
-	-	-	3,007,326				
(85,460)	(131,912)	(2,070,702)	(2,452,155)				
(27,440)	(199,015)	(2,629,835)	(60,000)				
-	(372,426)	(372,426)	-				
<b>\$ 102,823</b>	<b>\$ (686,438)</b>	<b>\$ (835,136)</b>	<b>\$ 619,171</b>				
\$ -	\$ -	\$ -	\$ 40,000				
-	-	905,312	-				
-	694,121	878,624	-				
918	-	918	-				
-	-	2,200	-				
60,034	-	60,034	-				
-	-	(48,930)	-				
<b>\$ 60,952</b>	<b>\$ 694,121</b>	<b>\$ 1,798,158</b>	<b>\$ 40,000</b>				
\$ -	\$ -	\$ -	\$ 45,200				
(25,000)	-	(25,000)	-				
(86,035)	-	(86,035)	-				
-	-	600	-				
-	(5,772)	(425,045)	(572,300)				
<b>\$ (111,035)</b>	<b>\$ (5,772)</b>	<b>\$ (535,480)</b>	<b>\$ (527,100)</b>				
\$ -	\$ -	\$ -	\$ 31,100				
-	-	(35,396)	(48,300)				
-	-	393,230	4,100				
-	-	7,488	-				
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 365,322</b>	<b>\$ (13,100)</b>				
\$ 52,740	\$ 1,911	\$ 792,864	\$ 118,971				
150,817	190,017	1,800,447	779,460				
<b>\$ 203,557</b>	<b>\$ 191,928</b>	<b>\$ 2,593,311</b>	<b>\$ 898,431</b>				

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Nursing Home</u>	<u>Solid Waste</u>
<b>Cash and Cash Equivalents - Exhibit 5</b>		
Cash and pooled investments	\$ 585,622	\$ 1,551,727
Undistributed cash in agency funds	-	35,810
Petty cash and change funds	100	300
Restricted cash and pooled investments	24,267	-
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 609,989</u></b>	<b><u>\$ 1,587,837</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</b>		
Operating income	<b><u>\$ 68,617</u></b>	<b><u>\$ (1,121,772)</u></b>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation expense	\$ 69,878	\$ 765,139
(Increase) decrease in accounts receivable	(5,665)	(23,665)
(Increase) decrease in due from other governments	-	-
(Increase) decrease in due from other funds	-	-
(Increase) decrease in inventories	5,932	-
(Increase) decrease in prepaid items	(1,678)	(37,083)
Increase (decrease) in accounts payable	1,356	18,760
Increase (decrease) in salaries payable	-	884
Increase (decrease) in compensated absences payable	(4,278)	9,249
Increase (decrease) in due to other funds	-	-
Increase (decrease) in due to other governments	-	(1,393)
Increase (decrease) in claims payable	-	-
Increase (decrease) in landfill closure costs	-	4,198
<b>Total adjustments</b>	<b><u>\$ 65,545</u></b>	<b><u>\$ 736,089</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>\$ 134,162</u></b>	<b><u>\$ (385,683)</u></b>
<b>Noncash Investing, Capital, and Financing Activities</b>		
Contributions of capital assets from government	\$ -	\$ -
Capital asset trade-ins	-	-
Change in fair value of long-term investments	-	65,193

**EXHIBIT 9**  
**(Continued)**

<b>Enterprise Funds</b>							
<b>Congregate Housing</b>	<b>Nonmajor Nursing Service</b>	<b>Totals</b>	<b>Internal Service Funds</b>				
\$ 33,740	\$ 191,928	\$ 2,363,017	\$ 898,431				
-	-	35,810	-				
50	-	450	-				
169,767	-	194,034	-				
<b>\$ 203,557</b>	<b>\$ 191,928</b>	<b>\$ 2,593,311</b>	<b>\$ 898,431</b>				
<b>\$ 50,197</b>	<b>\$ (700,086)</b>	<b>\$ (1,703,044)</b>	<b>\$ (361)</b>				
\$ 50,729	\$ 2,037	\$ 887,783	\$ 419,300				
1,025	-	(28,305)	-				
-	-	-	(4,200)				
-	-	-	(63,700)				
301	-	6,233	(23,100)				
-	-	(38,761)	(37,800)				
(124)	9,707	29,699	372,393				
-	1,692	2,576	-				
(47)	212	5,136	5,100				
(3)	-	(3)	10,300				
745	-	(648)	-				
-	-	-	(58,761)				
-	-	4,198	-				
<b>\$ 52,626</b>	<b>\$ 13,648</b>	<b>\$ 867,908</b>	<b>\$ 619,532</b>				
<b>\$ 102,823</b>	<b>\$ (686,438)</b>	<b>\$ (835,136)</b>	<b>\$ 619,171</b>				
\$ -	\$ -	\$ -	\$ 2,160,300				
-	-	-	48,100				
-	-	65,193	-				

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**EXHIBIT 10**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2002**

	<b>Investment Trust</b>	<b>Private-Purpose Trust</b>	<b>Agency</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 366,340	\$ 17,258	\$ 2,752,626
Investments			
Short-term investments	-	61,850	-
Receivables			
Accounts	-	-	7,885
Interest	918	883	-
Due from other governments	-	-	274,790
	<b>\$ 367,258</b>	<b>\$ 79,991</b>	<b>\$ 3,035,301</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 103	\$ 3,667	\$ 12,664
Due to other governments	-	-	3,022,637
	<b>\$ 103</b>	<b>\$ 3,667</b>	<b>\$ 3,035,301</b>
<b><u>Net Assets</u></b>			
Net assets, held in trust for pool participants	\$ 367,155	\$ -	
Net assets, held in trust for other purposes	-	9,237	
	<b>\$ 367,155</b>	<b>\$ 76,324</b>	

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**EXHIBIT 11**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2002**

	<b>Investment Trust</b>	<b>Private-Purpose Trust</b>	<b>Total</b>
<b><u>Additions</u></b>			
Trust deposits	\$ -	\$ 2,900	\$ 2,900
Contributions from participants	278,185	-	278,185
Investment earnings			
Interest	12,183	3,706	15,889
Net increase (decrease) in fair value of investments	(3,500)	1,500	(2,000)
<b>Total Additions</b>	<b>\$ 286,868</b>	<b>\$ 8,106</b>	<b>\$ 294,974</b>
<b><u>Deductions</u></b>			
Payments in accordance with trust agreements	\$ -	\$ 3,629	\$ 3,629
Distributions to participants	219,043	-	219,043
Payments to heirs	-	7,163	7,163
<b>Total Deductions</b>	<b>\$ 219,043</b>	<b>\$ 10,792</b>	<b>\$ 229,835</b>
<b>Change in Net Assets</b>	<b>\$ 67,825</b>	<b>\$ (2,686)</b>	<b>\$ 65,139</b>
<b>Net Assets - Beginning of the Year</b>	<b>299,330</b>	<b>79,010</b>	<b>378,340</b>
<b>Net Assets - End of the Year</b>	<b>\$ 367,155</b>	<b>\$ 76,324</b>	<b>\$ 443,479</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**EXHIBIT 12  
(Continued)**

**COMBINING STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2002**

	<b>Housing and Redevelopment Authority</b>	<b>Area Ice Arena</b>	<b>Lake Project Improvement District</b>	<b>Total</b>
<b><u>Assets</u></b>				
<b>Current assets</b>				
Cash and pooled investments	\$ 262,853	\$ 41,741	\$ -	\$ 304,594
Undistributed cash in County agency funds	75,202	-	-	75,202
Accounts receivable (net)	-	25,531	-	25,531
Rent receivable	3,444	-	-	3,444
Due from other governments	315	69,553	-	69,868
Due from primary government	-	69,994	-	69,994
Prepaid items	2,941	-	-	2,941
<b>Total current assets</b>	<b>\$ 344,755</b>	<b>\$ 206,819</b>	<b>\$ -</b>	<b>\$ 551,574</b>
<b>Noncurrent assets</b>				
Capital assets				
Nondepreciable	\$ 70,500	\$ -	\$ -	\$ 70,500
Depreciable (net)	533,016	941,015	23,000	1,497,031
<b>Total noncurrent assets</b>	<b>\$ 603,516</b>	<b>\$ 941,015</b>	<b>\$ 23,000</b>	<b>\$ 1,567,531</b>
<b>Total Assets</b>	<b>\$ 948,271</b>	<b>\$ 1,147,834</b>	<b>\$ 23,000</b>	<b>\$ 2,119,105</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**EXHIBIT 12  
(Continued)**

**COMBINING STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2002**

	<b>Housing and Redevelopment Authority</b>	<b>Area Ice Arena</b>	<b>Lake Project Improvement District</b>	<b>Total</b>
<b><u>Liabilities</u></b>				
<b>Current liabilities</b>				
Cash overdraft	\$ -	\$ -	\$ 49,382	\$ 49,382
Accounts payable	4,518	4,287	20,999	29,804
Salaries payable	-	4,302	-	4,302
Due to other governments	49,565	-	-	49,565
Accrued interest payable	-	4,848	-	4,848
Deferred revenue	19,808	-	-	19,808
Customer deposits	3,625	-	-	3,625
Revenue notes payable - current	-	64,580	-	64,580
<b>Total current liabilities</b>	<b>\$ 77,516</b>	<b>\$ 78,017</b>	<b>\$ 70,381</b>	<b>\$ 225,914</b>
<b>Noncurrent liabilities</b>				
Advance from other governments	\$ -	\$ 220,212	\$ -	\$ 220,212
Compensated absences payable	-	8,222	-	8,222
Revenue notes payable - long-term	-	347,978	-	347,978
<b>Total noncurrent liabilities</b>	<b>\$ -</b>	<b>\$ 576,412</b>	<b>\$ -</b>	<b>\$ 576,412</b>
<b>Total Liabilities</b>	<b>\$ 77,516</b>	<b>\$ 654,429</b>	<b>\$ 70,381</b>	<b>\$ 802,326</b>
<b><u>Net Assets</u></b>				
Invested in capital assets net of related debt	\$ 603,516	\$ 528,457	\$ 23,000	\$ 1,154,973
Unrestricted	267,239	(35,052)	(70,381)	161,806
<b>Total Net Assets</b>	<b>\$ 870,755</b>	<b>\$ 493,405</b>	<b>\$ (47,381)</b>	<b>\$ 1,316,779</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Expenses	Fees, Charges, Fines and Other	Program Revenues Operating Grants and Contributions
<b>Component Units</b>			
Housing and Redevelopment Authority	\$ 365,728	\$ 59,906	\$ 218,333
Area Ice Arena	255,367	184,196	63,725
Lake Project Improvement District	76,993	-	-
	<b>\$ 698,088</b>	<b>\$ 244,102</b>	<b>\$ 282,058</b>
 <b>General Revenues and Other Items</b>			
Local sales tax			
Investment income			
Miscellaneous			
Payments from primary government			
 <b>Total general revenues and other items</b>			
 <b>Change in Net Assets</b>			
 <b>Net Assets - Beginning</b>			
 <b>Net Assets - Ending</b>			

**EXHIBIT 13**  
**(Continued)**

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets				Total
	Housing and Redevelopment Authority	Area Ice Arena	Lake Project Improvement District		
\$ -	\$ (87,489)	\$ -	\$ -	\$ (87,489)	
-	-	(7,446)	-	(7,446)	
29,612	-	-	(47,381)	(47,381)	
<b>\$ 29,612</b>	<b>\$ (87,489)</b>	<b>\$ (7,446)</b>	<b>\$ (47,381)</b>	<b>\$ (142,316)</b>	
	\$ 75,202	\$ -	\$ -	\$ 75,202	
	2,570	-	-	2,570	
	7,841	-	-	7,841	
	60,000	-	-	60,000	
	<b>\$ 145,613</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 145,613</b>	
	\$ 58,124	\$ (7,446)	\$ (47,381)	\$ 3,297	
	<b>812,631</b>	<b>500,851</b>	<b>-</b>	<b>1,313,482</b>	
	<b>\$ 870,755</b>	<b>\$ 493,405</b>	<b>\$ (47,381)</b>	<b>\$ 1,316,779</b>	

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**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2002**

1. 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. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. 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:

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

These and other changes are reflected in the accompanying financial statements (including the notes to financial statements). The County has elected to implement all provisions of the statement in the current year.

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity

Minnesota County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Minnesota County (primary government) and its component units for which the County is financially accountable. 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.

Blended Component Unit

Blended component units are legally separate organizations that are so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Minnesota County has one blended component unit.

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Regional Railroad Authority (RRA) provides for the preservation or improvement of rail transportation within the County.	County Commissioners are the members of the RRA Board.	Separate financial statements are not prepared.

Discretely Presented Component Units

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Minnesota County are discretely presented:

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Minnesota County Housing and Redevelopment Authority (HRA) provides services pursuant to Minn. Stat. §§ 469.001-.047.	County appoints members and the HRA is a financial burden.	Minnesota County HRA 123 Loon Circle Any City, MN 55555

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Let's Skate Ice Arena Authority operates a multi-jurisdiction ice arena.	County appoints majority of Ice Arena Board and must approve debt.	Separate financial statements are not prepared.
Lake Project Improvement District is responsible for constructing and operating a sanitary sewer district.	County appoints District Board members and must approve any debt.	Lake Project District 4321 Evergreen Avenue Small City, MN 55669

Joint Ventures

The County participates in several joint ventures which are described in Note 4.C. The County also participates in jointly-governed organizations which are described in Note 4.D.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) display information about the primary government and its component units. 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, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) 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

**MINNESOTA COUNTY  
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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and different business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category--governmental, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 Road and Bridge 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 benefitted property.

The Improvement Capital Projects Fund is used to account for financial resources to be used for capital acquisition, construction, or improvement of capital facilities.

The County reports the following major enterprise funds:

The Nursing Home Fund is used to account for the operations of the County nursing home.

The Solid Waste Fund is used to account for the operation, maintenance, and development of the County solid waste landfill.

The Congregate Housing Fund is used to account for the County's assisted living housing.

**MINNESOTA COUNTY  
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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

Internal Service Funds account for self-insurance and central maintenance garage facility activities provided to other departments and funds on a cost-reimbursement basis.

Investment Trust Funds account for the external pooled and non-pooled investments held on behalf of external participants.

Private Purpose Trust Funds are used to account for resources legally held in trust for others.

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.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, 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. Minnesota 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

**MINNESOTA COUNTY  
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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2002, based on market prices. Pursuant to Minn. Stat. § 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. Pooled investment earnings for 2002 were \$564,845.

Minnesota 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 Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Deposits and Investments (Continued)

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

3. 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” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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, including those of the discretely presented component units, 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. 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.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

4. Inventories and Prepaid Items

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 in proprietary funds and at the government-wide level are recorded as expenses when consumed.

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.

**MINNESOTA COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets 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.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 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.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

<u>Assets</u>	<u>Years</u>
Buildings	25-75
Building improvements	20-30
Public domain infrastructure	25-75
Furniture, equipment, and vehicles	3-15

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual 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, proprietary, and fiduciary fund 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.

8. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

9. Long-Term Obligations (Continued)

as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

10. 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.

11. 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 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.

**MINNESOTA COUNTY  
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2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The following major funds had deficit fund balance or net assets as of December 31, 2002:

Ditch Special Revenue Fund	\$ 97,478
Congregate Housing Enterprise Fund	18,473

The Ditch Fund's deficit will be eliminated with future special assessment levies against benefitted properties. The Congregate Housing Fund is in the early stages of operations, and the deficit is expected to be eliminated by future earnings.

B. Component Unit Deficit

The Lake Project Improvement District at the end of its first year had a cash overdraft of \$49,382 and a related net asset deficit of \$47,381. The County has authorized a loan to the District to provide working capital and eliminate the overdraft. The loan and the deficit will be eliminated after special assessments are levied and collected from benefitting properties.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Primary government	
Cash and pooled investments	\$ 18,236,107
Investments	889,015
Restricted assets	
Cash and pooled investments	194,034
Investments	4,917,076
Component units	
Cash and pooled investments	379,796

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Fiduciary funds	
Cash and pooled investments	
Investment trust funds	366,340
Private-purpose trust funds	17,258
Agency funds	2,752,626
Investments	
Private-purpose trust funds	61,850
Total Cash and Investments	\$ 27,814,102

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Treasurer. At December 31, 2002, the carrying amount of the County's deposits totaled \$8,821,267. The bank balance deposit amount was \$10,729,772. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

Following is a summary of the deposits covered by insurance or collateral at December 31, 2002.

	Bank Balance
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 8,129,102
Collateralized with securities held by the pledging financial institution's agent in the County's name	2,600,670
Total covered deposits	\$ 10,729,772
Uncollateralized	-
Total	\$ 10,729,772

**MINNESOTA COUNTY  
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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Three levels of custodial credit risk for securities are defined by generally accepted accounting principles:

- (1) securities that are insured or registered, or for which the securities are held by the County or its agent in the County's name;
- (2) securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the County's name; and
- (3) securities that are uninsured and unregistered and are held by the counterparty, or by its trust department or agent, but not in the County's name.

Following is a summary of the fair values of the County's investments, categorized into the aforementioned levels of risk, at December 31, 2002:

	Category			Fair Value
	1	2	3	
U.S. government securities	\$ 10,102,376	\$ -	\$ -	\$ 10,102,376
Negotiable certificates of deposit	1,497,000	-	246,000	1,743,000
Commercial paper	701,250	-	-	701,250
Repurchase agreements	-	-	<u>1,275,508</u>	<u>1,275,508</u>
Total Investments	<u>\$ 12,300,626</u>	<u>\$ -</u>	<u>\$ 1,521,508</u>	\$ 13,822,134
Add				
Money market mutual funds				3,876,509
Minnesota Association of Governments Investing for Counties (MAGIC)				1,275,507
Cash on hand				18,685
Deposits				<u>8,821,267</u>
Total Cash and Investments				<u>\$ 27,814,102</u>

**MINNESOTA COUNTY  
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3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2002, year-end for the County's governmental activities and business-type activities, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
<b>Governmental Activities</b>		
Taxes	\$ 254,337	\$ -
Special assessments	1,082,137	968,093
Due from other governments	1,013,581	-
Accounts	196,675	-
Interest	<u>446,003</u>	<u>-</u>
Total Governmental Activities	<u>\$ 2,992,733</u>	<u>\$ 968,093</u>
 <b>Business-Type Activities</b>		
Special assessments	\$ 34,454	\$ 17,277
Due from other governments	114,303	-
Accounts	350,251	-
Interest	<u>7,547</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 506,555</u>	<u>\$ 17,277</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2002, was as follows:

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 950,344	\$ -	\$ -	\$ 950,344
Construction in progress	7,702,693	1,670,078	8,022,490	1,350,281
Total capital assets, not depreciated	\$ 8,653,037	\$ 1,670,078	\$ 8,022,490	\$ 2,300,625
Capital assets being depreciated				
Buildings	\$ 20,115,497	\$ 8,139,190	\$ 45,000	\$ 28,209,687
Machinery, furniture, and equipment	13,113,420	2,328,234	1,172,827	14,268,827
Infrastructure	59,274,454	3,210,520	-	62,484,974
Total capital assets being depreciated	\$ 92,503,371	\$ 13,677,944	\$ 1,217,827	\$ 104,963,488
Less: accumulated depreciation for				
Buildings	\$ 6,656,709	\$ 922,611	\$ 33,300	\$ 7,546,020
Machinery, furniture, and equipment	6,179,864	1,779,328	1,090,727	6,868,465
Infrastructure	10,826,357	1,630,737	-	12,457,094
Total accumulated depreciation	\$ 23,662,930	\$ 4,332,676	\$ 1,124,027	\$ 26,871,579
Total capital assets, depreciated, net	\$ 68,840,441	\$ 9,345,268	\$ 93,800	\$ 78,091,909
Governmental Activities Capital Assets, Net	\$ 77,493,478	\$ 11,015,346	\$ 8,116,290	\$ 80,392,534

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 56,175	\$ 139,288	\$ -	\$ 195,463
Construction in progress	<u>-</u>	<u>43,604</u>	<u>-</u>	<u>43,604</u>
Total capital assets, not depreciated	<u>\$ 56,175</u>	<u>\$ 182,892</u>	<u>\$ -</u>	<u>\$ 239,067</u>
Capital assets being depreciated				
Buildings	\$ 7,228,125	\$ 46,085	\$ -	\$ 7,274,210
Landfill	2,333,430	11,387	-	2,344,817
Machinery, furniture, and equipment	<u>8,687,690</u>	<u>184,681</u>	<u>8,760</u>	<u>8,863,611</u>
Total capital assets being depreciated	<u>\$ 18,249,245</u>	<u>\$ 242,153</u>	<u>\$ 8,760</u>	<u>\$ 18,482,638</u>
Less: accumulated depreciation for				
Buildings	\$ 1,945,224	\$ 221,353	\$ -	\$ 2,166,577
Landfill	1,466,385	74,056	-	1,540,441
Machinery and equipment	<u>3,601,084</u>	<u>592,374</u>	<u>8,760</u>	<u>4,184,698</u>
Total accumulated depreciation	<u>\$ 7,012,693</u>	<u>\$ 887,783</u>	<u>\$ 8,760</u>	<u>\$ 7,891,716</u>
Total capital assets, depreciated, net	<u>\$ 11,236,552</u>	<u>\$ (645,630)</u>	<u>\$ -</u>	<u>\$ 10,590,922</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,292,727</u>	<u>\$ (462,738)</u>	<u>\$ -</u>	<u>\$ 10,829,989</u>

**MINNESOTA COUNTY  
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3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities		
General government	\$	912,676
Public safety		774,507
Highways and streets, including depreciation of infrastructure assets		1,869,300
Human services		342,664
Health		1,563
Culture and recreation		3,076
Conservation		9,590
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets		419,300
Total Depreciation Expense - Governmental Activities	\$	4,332,676
Business-Type Activities		
Nursing home	\$	69,878
Solid waste		765,139
Congregate housing		50,729
Other enterprise fund		2,037
Total Depreciation Expense - Business-Type Activities	\$	887,783

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2002, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Human Services	\$ 430
	Other Governmental	48,355
	Internal Service	18,700
	Congregate Housing	25
Total Due to General Fund		\$ 67,510

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road and Bridge	General	\$ 822
	Other Governmental	<u>62,407</u>
Total Due to Road and Bridge Fund		<u>\$ 63,229</u>
Improvement	Solid Waste	<u>\$ 317,289</u>
Other Governmental	Other Governmental	<u>\$ 66,123</u>
Congregate Housing	Human Services	<u>\$ 5,457</u>
Internal Service Funds	General	\$ 27,900
Road and Bridge		<u>35,800</u>
Total Due to Internal Service Funds		<u>\$ 63,700</u>
Total To/From Other Funds		<u><u>\$ 583,308</u></u>

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Ditch	\$ 93,238
	Internal Service Funds	<u>31,600</u>
Total Due to General Fund		\$ 124,838
Other Governmental	Other Governmental	60,712
Nursing Home	Congregate Housing	<u>46,764</u>
Total From/To Other Funds		<u><u>\$ 232,314</u></u>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

3. Due To/From Primary Government and Component Units

Receivable Entity	Payable Entity	Amount
Component Unit - Area Ice Arena	Primary Government - General Fund	<u>\$ 69,994</u>

4. Interfund Transfers

Interfund transfers for the year ended December 31, 2002, consisted of the following:

Transfers to General Fund from other governmental funds	\$ <u>50,000</u>	Provide funds for capital outlay
Transfers to Human Services Fund from other governmental funds	\$ <u>150,000</u>	Provide funding
Transfers to Improvement Fund from Solid Waste Fund	\$ <u>317,289</u>	Provide funds for capital outlay
Transfers to nonmajor governmental funds from		
General Fund	\$ 58,098	Returned unused funds
Human Services Fund	150,000	Returned funding
Other nonmajor governmental funds	<u>193,566</u>	Provide funds for capital outlay
Total transfers to nonmajor governmental funds	\$ <u>401,664</u>	
Transfers to Congregate Housing Fund from		
Revolving Loan Fund	\$ 6,331	Miscellaneous
Nursing Home Fund	<u>48,930</u>	Provide funding
Total transfers to Congregate Housing Fund	\$ <u>55,261</u>	
Transfers to internal services funds from		
General Fund	\$ 45,200	Provide funding
General capital assets	<u>2,160,300</u>	Capital assets for startup
Total transfers to internal services funds	\$ <u>2,205,500</u>	
Total Interfund Transfers	\$ <u>3,179,714</u>	

**MINNESOTA COUNTY  
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3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

4. Interfund Transfers (Continued)

In the fund financial statements, total transfers in of \$3,179,714 are greater than total transfers out of \$1,019,414 because of the treatment of transfers of capital assets to the internal services funds. During the year, existing capital assets related to governmental funds, with a book value of \$2,160,300, were transferred to internal services funds. No amounts were reported in the governmental funds as the amount did not involve the transfer of financial resources. However, the internal services funds did report a transfer in for the capital resources received.

5. Transfers To/From Component Units

Transfer to Housing and Redevelopment Authority (component unit) from nonmajor governmental funds (primary government)	<u>\$ 60,000</u>
--	------------------

C. Liabilities

1. Payables

Payables at December 31, 2002, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 814,143	\$ 181,603
Salaries	281,973	8,685
Contracts	751,103	-
Due to other governments	113,623	2,126
Total Payables	\$ 1,960,842	\$ 192,414

2. Construction Commitments

The government has active construction projects as of December 31, 2002. The projects include the following (amounts in thousands):

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Construction Commitments (Continued)

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental activities		
Jail construction	\$ 250	\$ 2,500
Government center	1,100	1,750
Roads and bridges	195	3,250
Sanitary sewer	1,077	525
Business-type activities		
Landfill expansion	-	1,200

3. Other Post-Employment Benefits

Retirees

The County provides post-retirement health care benefits for certain retirees and their dependents. This benefit is provided based on County Board Resolution 95-101. The County contributes \$50 a month per participant for health insurance. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of year-end, the County has 27 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2002, the County expended \$14,340 for these benefits.

Elected Officials

After their County service, elected County officials are entitled to one year of paid health insurance for every four years of service to the County. This benefit is provided pursuant to County Board Resolution 99-045.

This benefit is funded on a pay-as-you-go basis. Minnesota County has two former elected officials eligible for this benefit. The County expended \$4,800 for this benefit in 2002.

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Leases

Operating Leases

The County leases office space under noncancelable operating leases. Total costs for such leases were \$135,200 for the year ended December 31, 2002. The future minimum lease payments for these leases are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2002	\$ 137,300
2003	137,800
2004	138,400

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2002:

<u>Lease</u>	<u>Maturity</u>	<u>Installments</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental Activities					
2001 telecommunication equipment	2007	Monthly	\$ 2,092	\$ 104,397	\$ 89,318
2002 skid steer loader	2003	Monthly	1,625	29,992	22,191
2002 trailer	2004	Monthly	750	19,415	<u>13,032</u>
Total Governmental Activities Capital Leases					<u>\$ 124,541</u>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Leases

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2002, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2003	\$ 56,618
2004	29,289
2005	24,743
2006	24,743
2007	<u>4,125</u>
Total minimum lease payments	\$ 139,518
Less: amount representing interest	<u>(14,977)</u>
Present Value of Minimum Lease Payments	<u>\$ 124,541</u>

5. Short-Term Debt

The County issued and repaid \$1,000,000 of tax anticipation certificates during the year ended December 31, 2002. The purpose of this short-term debt is to provide liquidity for governmental operations financed by property taxes, which are collected in semi-annual payments.

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Long-Term Debt

Governmental Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2002</u>
General obligation bonds					
1995 G.O. Capital Improvement Bonds	2015	\$90,000 - \$105,000	2.75-5.20	\$ 2,500,000	\$ 1,845,000
1997A G.O. Capital Improvement Bonds	2007	\$50,000 - \$70,000	3.50-5.40	570,000	320,000
1998 G.O. Refunding Bonds	2018	\$100,000- \$210,000	4.20-5.50	2,040,000	2,000,000
2000A G.O. Capital Improvement Bonds	2015	\$80,000- \$350,000	4.00-4.65	4,000,000	3,920,000
2001 G.O. Capital Improvement Bonds	2007	\$125,000- \$135,000	4.35-4.65	775,000	775,000
2001 G.O. Improvement Bonds	2003	\$90,000- \$95,000	5.00	185,000	185,000
2002A G.O. Capital Improvement Bonds	2018	\$35,000- \$55,000	4.00-5.25	680,000	680,000
2002B G.O. Capital Improvement Bonds	2019	\$95,000- \$120,000	4.20-5.00	1,820,000	1,820,000
2002C G.O. Capital Improvement Bonds	2023	\$155,000- \$190,000	5.20	<u>865,000</u>	<u>865,000</u>
Total general obligation bonds				<u>\$ 13,435,000</u>	\$ 12,410,000
Less: unamortized discount					<u>(20,125)</u>
Total General Obligation Bonds, Net					<u>\$ 12,389,875</u>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Long-Term Debt

Governmental Activities (Continued)

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2002</u>
Special assessment bonds with government commitment 1999 G.O. Drainage Bonds	2020	\$30,000- \$50,000	4.12-5.00	\$ <u>710,000</u>	\$ <u>640,000</u>
General obligation capital notes 2002 G.O. Capital Equipment Notes	2007	\$125,000- \$135,000	2.50-3.75	\$ <u>535,000</u>	\$ 535,000
Less: unamortized discount					<u>(5,323)</u>
Total General Obligation Capital Notes, Net					<u>\$ 529,677</u>

Loans Payable

In 1999, the County entered into a loan agreement with the Minnesota Department of Agriculture for financing of failing septic systems. The loan is secured by special assessments placed on the individual parcels requesting repair of a failing septic system.

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2002</u>
1999 septic loans	2013	\$2,200- \$12,000	0.00	\$ 50,000	<u>\$ 50,000</u>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Long-Term Debt (Continued)

Business-Type Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2002</u>
1998 G.O. Governmental Housing Bonds	2027	\$15,000- \$105,000	6.05	\$ 1,455,000	\$ 1,395,000
Less: unamortized discount					<u>(12,125)</u>
General Obligation Bonds, Net					<u>\$ 1,382,875</u>

7. Debt Service Requirements

Debt service requirements at December 31, 2002, were as follows:

Governmental Activities

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>Capital Notes</u>		<u>Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 770,000	\$ 493,884	\$ 35,000	\$ 29,043	\$ 10,000	\$ 52,475	\$ -	\$ -
2004	760,000	467,656	35,000	27,572	127,000	4,600	-	-
2005	820,000	430,341	35,000	26,102	131,000	2,150	-	-
2006	855,000	405,720	35,000	24,624	133,000	1,250	2,235	-
2007	885,000	374,935	35,000	23,119	134,000	875	2,780	-
2008-2012	3,855,000	1,625,155	180,000	86,977	-	-	12,107	-
2013-2017	3,390,000	840,278	185,000	40,476	-	-	32,878	-
2018-2022	870,000	443,978	100,000	23,875	-	-	-	-
2023-2027	205,000	5,330	-	-	-	-	-	-
Total	<u>\$ 12,410,000</u>	<u>\$ 5,087,277</u>	<u>\$ 640,000</u>	<u>\$ 281,788</u>	<u>\$ 535,000</u>	<u>\$ 61,350</u>	<u>\$ 50,000</u>	<u>\$ -</u>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Debt Service Requirements (Continued)

Business-Type Activities

<u>Year Ended December 31</u>	<u>General Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
2003	\$ 25,000	\$ 84,397
2004	25,000	82,885
2005	30,000	81,372
2006	30,000	79,558
2007	30,000	77,742
2008-2012	195,000	357,555
2013-2017	280,000	276,307
2018-2022	300,000	247,675
2023-2027	<u>480,000</u>	<u>81,213</u>
Total	<u>\$ 1,395,000</u>	<u>\$ 1,368,704</u>

8. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2002, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
General obligation bonds	\$ 9,580,000	\$ 3,365,000	\$ 535,000	\$ 12,410,000	\$ 740,000
G.O. capital notes	-	535,000	-	535,000	10,000
Special assessment debt with government commitment	675,000	-	35,000	640,000	35,000
Less: deferred amounts for for issuance discounts	<u>-</u>	<u>(26,618)</u>	<u>(1,170)</u>	<u>(25,448)</u>	<u>-</u>
Total bonds payable	\$ 10,255,000	\$ 3,873,382	\$ 568,830	\$ 13,559,552	\$ 785,000
Capital leases	126,893	49,407	51,759	124,541	51,255
Claims and judgments	191,527	1,280,765	1,339,526	132,766	-
Loans payable	-	50,000	-	50,000	-
Compensated absences	<u>1,257,228</u>	<u>92,095</u>	<u>-</u>	<u>1,349,323</u>	<u>237,109</u>
Governmental Activity Long-Term Liabilities	<u>\$ 11,830,648</u>	<u>\$ 5,345,649</u>	<u>\$ 1,960,115</u>	<u>\$ 15,216,182</u>	<u>\$ 1,073,364</u>

**MINNESOTA COUNTY  
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3. Detailed Notes on All Funds

C. Liabilities

8. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
General obligation bonds	\$ 1,420,000	\$ -	\$ 25,000	\$ 1,395,000	\$ 25,000
Less: deferred amounts for issuance costs	<u>(12,610)</u>	<u>-</u>	<u>(485)</u>	<u>(12,125)</u>	<u>-</u>
Total bonds payable	\$ 1,407,390	\$ -	\$ 24,515	\$ 1,382,875	\$ 25,000
Estimated liability for landfill					
Closure/postclosure	92,469	4,198	-	96,667	-
Compensated absences	<u>175,695</u>	<u>5,136</u>	<u>-</u>	<u>180,831</u>	<u>82,514</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 1,675,554</u>	<u>\$ 9,334</u>	<u>\$ 24,515</u>	<u>\$ 1,660,373</u>	<u>\$ 107,514</u>

Long-term liabilities for internal service funds are included as part of the above totals based upon their activity. For internal service funds, \$5,100 of compensated absences and \$132,766 of claims and judgments payable are included in the amounts for the governmental activities at year-end.

9. Prior Year's Refunded Debt

In prior years, the County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and the earnings on the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the County's government-wide financial statements. As of December 31, 2002, the amount of defeased debt outstanding not included in the financial statements was \$1,875,000.

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

10. Employee Retirement Systems and Pension Plans

A. Plan Description

All full-time and certain part-time employees of Minnesota County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for

**MINNESOTA COUNTY  
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3. Detailed Notes on All Funds

C. Liabilities

10. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

each of the first ten years of service and 2.7 percent for each remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year.

Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3 percent for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent for each year of service.

For Basic and Coordinated Plan members hired prior to July 1, 1989, whose annuity is calculated using Method 1, all Public Employees Police and Fire Fund members, and all Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund and Public Employees Correctional Fund members and 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. Also available are various types of joint and survivor annuity options that will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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3. Detailed Notes on All Funds

C. Liabilities

10. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the web at mnpera.org, by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088, or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53
Public Employees Police and Fire Fund	9.30
Public Employees Correctional Fund	8.75

**MINNESOTA COUNTY  
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3. Detailed Notes on All Funds

C. Liabilities

10. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

The County's contributions for the years ending December 31, 2002, 2001, and 2000, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2002	\$ 508,051	\$ 92,609	\$ 43,615
2001	472,560	87,151	60,183
2000	430,391	85,273	43,683

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

11. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$96,667 landfill closure and postclosure care liability at December 31, 2002, represents the cumulative amount reported to date based on the use of 4.5 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,052,303 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2001. The Board expects to close the landfill in 2119. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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3. Detailed Notes on All Funds

C. Liabilities

11. Landfill Closure and Postclosure Care Costs (Continued)

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements and, at December 31, 2002, investments of \$926,168 are held for these purposes. These are reported as restricted assets on the balance sheet. Minnesota County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

12. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health and dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$700,000 and \$720,000 per claim in 2002 and 2003, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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3. Detailed Notes on All Funds

C. Liabilities

12. Risk Management (Continued)

The Property and Casualty Division of MCIT is self-sustaining and the County pays an annual premium to cover current and future losses. The MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The County established a limited risk management program for health and dental coverages in 1992. Premiums are paid into the Self-Insurance Internal Services Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a \$50,000 stop-loss per family per year (\$1,500,000 aggregate) for the health plan. There is a maximum claim limit of \$750 per person per year for the dental plan.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR's). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Year Ended December 31</u>	
	2002	2001
Unpaid claims, beginning of fiscal year	\$ 191,527	\$ 160,305
Incurred claims (including IBNR's)	1,280,765	1,309,639
Claim payments	(1,339,526)	(1,278,417)
Unpaid Claims, End of Fiscal Year	\$ 132,766	\$ 191,527

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

13. Conduit Debt

In 1999, the County issued \$80,000 of industrial development revenue bonds to provide financial assistance to SMB Cooperative for the acquisition and construction of plant facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from revenues of the cooperative. Neither the County, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2002, the outstanding principal amount payable was \$60,000.

4. Summary of Significant Contingencies and Other Items

A. Subsequent Events

On February 24, 2003, the County issued \$1,500,000 of revenue bonds to finance an upgrade of the County's landfill. The interest rate on the bonds range from 4.25 - 5.125 percent, and the maturity date is February 2017.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

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4. Summary of Significant Contingencies and Other Items (Continued)

C. Joint Ventures

Minnesota Central Community Corrections Agency

The Minnesota Central Community Corrections Agency was established by Minnesota and North Star Counties in 1974 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, for the purpose of administering, budgeting, staffing, and operating correctional services. Effective January 1, 1992, Western County became a member of the Agency. The governing board is composed of five county commissioners from each of the participating counties. Minnesota County maintains the accounting records of the Agency.

The Minnesota Central Community Corrections Agency is funded through state grants and contributions from its member counties. Minnesota County had expenditures of \$59,217 for community corrections to the agency for 2002.

In the event of dissolution of the Agency, the unexpended balance of monies and assets held by the Agency will be divided between the counties in proportion to their contributions.

Complete financial information can be obtained from:

Minnesota Central Community Corrections Agency  
Minnesota County Courthouse  
100 Main Street  
Any City, Minnesota 55555

Regional Minnesota Office of Job Training

Minnesota, Western, Southern, North Star, and Northern Counties entered into a joint powers agreement pursuant to Minn. Stat. § 471.59 for the purpose of developing and implementing a private and public job training program. The United States Congress, through the Job Training Partnership Act of 1982, authorized states to establish “service delivery areas” to provide programs to achieve full employment through the use of grants. The counties identified above are defined as a service delivery area, and the Regional Minnesota Office of Job Training is designated as the grant recipient and administrator for the service delivery area. The County is not a funding mechanism for this organization.

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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Regional Minnesota Office of Job Training (Continued)

The governing body is composed of seven members, one from the board of commissioners of each of the participating counties.

A summary of the financial information of the Regional Minnesota Office of Job Training's funds for the fiscal year ended June 30, 2001, excluding general capital assets of \$499,288 and general long-term debt of \$454,469, was:

Total Assets	\$ 1,641,564
Total Liabilities	296,808
Total Fund Equity	1,344,756
Total Revenues	6,117,446
Total Expenditures/Expenses	5,666,289
Increase (Decrease) in Fund Equity	451,157

Separate financial information can be obtained from:

Northeast Minnesota Office of Job Training  
200 North South Street  
Ice City, Minnesota 55559

Joint County Natural Resources Board

The Joint County Natural Resources Board was formed in 1985 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Minnesota, Western, Southern, Middle, North Star, and Northern Counties. The purpose of the Natural Resources Board is to gather information on and formulate policies for the development, utilization, and protection of natural resources in this area of Minnesota and to ensure that there is an inter-related plan for the use and protection of both public and private resources.

Control of the Natural Resources Board is vested in the Joint County Natural Resources Board, which is composed of at least one resident of each county appointed by their respective county board, as provided in the Natural Resources Board's bylaws.

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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Joint County Natural Resources Board (Continued)

In the event of dissolution of the Joint County Natural Resources Board, the net assets of the Natural Resources Board at that time shall be distributed to the respective member counties in proportion to the contribution of each. Minnesota County provided \$2,000 to this organization during 2002.

The Natural Resources Board has no long-term debt. Financing is provided by appropriations from member counties. Complete financial information can be obtained from:

Natural Resources Board  
Box 10000  
Northern City, Minnesota 56666

D. Jointly-Governed Organizations

Minnesota County, in conjunction with other governmental entities and various private organizations, have formed the jointly-governed organizations listed below:

Family Service Collaborative

The Collaborative was established to create opportunities to enhance family strengths and support through service coordination and access to informal communication. Minnesota County has no operational or financial control over the Collaborative. The County has shown \$125,200 expenditures in 2002 related to the Collaborative.

Counties Computer Cooperative

The Cooperative was established to provide computer programming to member counties. During the year, Minnesota County expended \$30,550 to the Cooperative.

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5. Component Unit Disclosures

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, the County's discretely presented component units have the following significant accounting policies.

Reporting Entities

The Housing and Redevelopment Authority is governed by a five-member board of directors who are appointed by the County Board.

The Area Ice Arena is governed by a seven-member board of directors, one appointed by each of the Cities of Any City and Hometown, four appointed by the Minnesota County Board, and one member is appointed on a rotating basis by the West and East School Districts.

The Lake Project Improvement District is governed by a five-member board. The District is a component unit because it is financially dependent upon the County.

Because of the significance of their financial relationship, Minnesota County considers these entities major component units.

Basis of Presentation

The Area Ice Arena does not prepare separate financial statements. The Arena presents its one fund as a governmental fund.

Basis of Accounting

The Area Ice Arena General Fund is accounted for on the modified accrual basis of accounting.

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

5. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Cash and Pooled Investments

All cash of the components units is on deposit with the Minnesota County Treasurer and included within its pooled cash and investments.

B. Detailed Notes on All Funds

1. Assets

Receivables

Receivables as of December 31, 2002, year-end for each discretely presented component unit, including the applicable allowances for uncollectible accounts, are as follows:

	Housing and Redevelopment	Area Ice Arena	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Accounts	\$ -	\$ 25,531	\$ 25,531	\$ -
Rent	3,444	-	3,444	-
Due from other governments	315	69,553	69,868	-
Total Component Units	<u>\$ 3,759</u>	<u>\$ 95,084</u>	<u>\$ 98,843</u>	<u>\$ -</u>

Capital Assets

Component unit capital asset activity for the year ended December 31, 2002, was as follows:

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

5. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land				
Housing and Redevelopment Authority	\$ 70,500	\$ -	\$ -	\$ 70,500
Capital assets being depreciated				
Buildings				
Housing and Redevelopment Authority	\$ 986,319	\$ -	\$ -	\$ 986,319
Area Ice Arena	<u>920,950</u>	<u>-</u>	<u>-</u>	<u>920,950</u>
Total buildings	<u>\$ 1,907,269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,907,269</u>
Machinery, furniture, and equipment				
Housing and Redevelopment				
Authority	\$ 54,646	\$ 17,849	\$ 12,500	\$ 59,995
Area Ice Arena	220,180	10,750	5,087	225,843
Lake Project Improvement District	<u>-</u>	<u>23,500</u>	<u>-</u>	<u>23,500</u>
Total machinery, furniture, and equipment	<u>\$ 274,826</u>	<u>\$ 52,099</u>	<u>\$ 17,587</u>	<u>\$ 309,338</u>
Total capital assets being depreciated	<u>\$ 2,182,095</u>	<u>\$ 52,099</u>	<u>\$ 17,587</u>	<u>\$ 2,216,607</u>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

5. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings				
Housing and Redevelopment Authority	\$ 453,701	\$ 37,029	\$ -	\$ 490,730
Area Ice Arena	<u>92,095</u>	<u>30,698</u>	<u>-</u>	<u>122,793</u>
Total buildings	<u>\$ 545,796</u>	<u>\$ 67,727</u>	<u>\$ -</u>	<u>\$ 613,523</u>
Machinery and equipment				
Housing and Redevelopment Authority	\$ 25,811	\$ 9,257	\$ 12,500	\$ 22,568
Area Ice Arena	66,054	22,018	5,087	82,985
Lake Project Improvement District	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total machinery, furniture, and equipment	<u>\$ 91,865</u>	<u>\$ 31,775</u>	<u>\$ 17,587</u>	<u>\$ 106,053</u>
Total accumulated depreciation	<u>\$ 637,661</u>	<u>\$ 99,502</u>	<u>\$ 17,587</u>	<u>\$ 719,576</u>
Total capital assets, depreciated, net	<u>\$ 1,544,434</u>	<u>\$ (47,403)</u>	<u>\$ -</u>	<u>\$ 1,497,031</u>
Total Capital Assets, Net	<u>\$ 1,614,934</u>	<u>\$ (47,403)</u>	<u>\$ -</u>	<u>\$ 1,567,531</u>

Depreciation expense was charged to functions/programs of the discretely presented component units as follows:

Housing and Redevelopment Authority	\$ 46,286
Area Ice Arena	52,716
Lake project improvement district	<u>500</u>
Total Depreciation Expense	<u>\$ 99,502</u>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

5. Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

2. Liabilities

Payables

Payables at December 31, 2002, were as follows:

	<u>Housing and Redevelopment Authority</u>	<u>Area Ice Arena</u>	<u>Lake Project Improvement District</u>	<u>Total Discretely Presented Component Units</u>
Accounts	\$ 4,518	\$ 4,287	\$ 20,999	\$ 29,804
Salaries	-	4,302	-	4,302
Due to other governments	49,565	-	-	49,565
Overdraft	-	-	49,382	49,382
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Payables	<u>\$ 54,083</u>	<u>\$ 8,589</u>	<u>\$ 70,381</u>	<u>\$ 133,053</u>

Construction Commitments

The component units had active construction projects as of December 31, 2002. The projects include the following (amounts in thousands):

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Discretely presented component units		
Lake project	\$ 15	\$ 790

Long-Term Debt

Long-term debt outstanding at December 31, 2002, for the Area Ice Arena consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2002</u>
1998 G.O. Arena Revenue Notes	2008	\$ 44,145	5.64	\$ 650,000	\$ 412,558

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

5. Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Debt Service Requirements

Revenue note debt service requirements to maturity for the Area Ice Arena are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 65,898	\$ 22,391
2004	69,667	18,622
2005	73,652	14,638
2006	77,864	10,426
2007	82,318	5,972
2008	<u>43,159</u>	<u>986</u>
Total	<u>\$ 412,558</u>	<u>\$ 73,035</u>

Changes in Long-Term Liabilities

The following is a summary of the long-term debt transactions of the Arena for the year ended December 31, 2002.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable					
G.O. revenue notes	\$ 474,928	\$ -	\$ 62,370	\$ 412,558	\$ 65,898
Compensated absences	7,202	1,020	-	8,222	-
Advance from other agencies	<u>260,212</u>	<u>-</u>	<u>40,000</u>	<u>220,212</u>	<u>-</u>
Area Ice Arena Long-Term Liabilities	<u>\$ 742,342</u>	<u>\$ 1,020</u>	<u>\$ 102,370</u>	<u>\$ 640,992</u>	<u>\$ 65,898</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 2,776,545	\$ 3,676,545	\$ 3,698,719	\$ 22,174
Licenses and permits	55,570	65,570	74,700	9,130
Intergovernmental	1,296,082	1,485,882	1,411,282	(74,600)
Charges for services	1,411,260	1,511,260	1,646,062	134,802
Fines and forfeits	130,000	130,000	174,160	44,160
Gifts and contributions	2,850	2,850	9,823	6,973
Investment earnings	250,000	400,000	564,845	164,845
Miscellaneous	216,428	591,428	341,568	(249,860)
<b>Total Revenues</b>	<b>\$ 6,138,735</b>	<b>\$ 7,863,535</b>	<b>\$ 7,921,159</b>	<b>\$ 57,624</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 150,000	\$ 176,000	\$ 176,943	\$ (943)
Courts	300,000	375,000	369,903	5,097
County administration	190,000	265,000	106,771	158,229
Personnel	30,000	37,500	37,130	370
County auditor	275,000	325,000	285,394	39,606
License bureau	60,000	77,500	74,929	2,571
County treasurer	130,000	160,000	154,669	5,331
County assessor	225,000	300,000	295,818	4,182
Elections	-	5,000	3,370	1,630
Purchasing	150,000	250,000	180,704	69,296
Remonumentation	35,000	40,000	35,403	4,597
Data processing	100,000	200,000	185,148	14,852
Attorney	250,000	300,000	296,819	3,181
Law library	10,000	15,000	14,977	23
Recorder	225,000	255,000	255,943	(943)
Surveyor	4,000	4,000	3,663	337
Planning and zoning	120,000	145,000	134,607	10,393
Buildings and plant	45,000	50,000	52,708	(2,708)
Maintenance	260,000	300,000	303,073	(3,073)
Veterans service officer	75,000	90,000	89,105	895
<b>Total general government</b>	<b>\$ 2,634,000</b>	<b>\$ 3,370,000</b>	<b>\$ 3,057,077</b>	<b>\$ 312,923</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 1,000,000	\$ 1,150,000	\$ 1,225,635	\$ (75,635)
Boat and water safety	30,000	32,000	30,635	1,365
Emergency services	125,000	160,000	156,819	3,181
Coroner	20,000	20,000	17,875	2,125
Law enforcement center	500,000	750,000	721,750	28,250
Probation and parole	200,000	270,000	258,521	11,479
<b>Total public safety</b>	<b>\$ 1,875,000</b>	<b>\$ 2,382,000</b>	<b>\$ 2,411,235</b>	<b>\$ (29,235)</b>
<b>Health</b>				
Nursing service	<b>\$ 900,000</b>	<b>\$ 1,225,000</b>	<b>\$ 1,206,334</b>	<b>\$ 18,666</b>
<b>Culture and recreation</b>				
Historical society	\$ 51,000	\$ 51,000	\$ 50,680	\$ 320
Parks	50,000	70,000	65,385	4,615
Senior citizens	22,000	22,000	22,532	(532)
Regional library	200,000	275,000	268,646	6,354
Arena	60,000	60,000	69,994	(9,994)
Other	12,380	13,180	12,842	338
<b>Total culture and recreation</b>	<b>\$ 395,380</b>	<b>\$ 491,180</b>	<b>\$ 490,079</b>	<b>\$ 1,101</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 150,000	\$ 170,000	\$ 170,121	\$ (121)
Soil and water conservation	150,000	190,000	125,463	64,537
Agricultural inspections	8,355	8,355	8,417	(62)
Agricultural society/county fair	26,000	26,000	25,678	322
<b>Total conservation of natural resources</b>	<b>\$ 334,355</b>	<b>\$ 394,355</b>	<b>\$ 329,679</b>	<b>\$ 64,676</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Community development	\$ -	\$ 1,000	\$ 1,000	\$ -
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 37,575	\$ (37,575)
Interest	\$ -	\$ -	\$ 6,206	\$ (6,206)
<b>Total Expenditures</b>	<b>\$ 6,138,735</b>	<b>\$ 7,863,535</b>	<b>\$ 7,539,185</b>	<b>\$ 324,350</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ -	\$ 381,974	\$ 381,974
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 50,000	\$ 50,000
Transfers out	-	-	(103,298)	(103,298)
Proceeds from sale of assets	-	-	13,467	13,467
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (39,831)</b>	<b>\$ (39,831)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 342,143</b>	<b>\$ 342,143</b>
<b>Fund Balance - January 1</b>	<b>1,918,324</b>	<b>1,918,324</b>	<b>1,918,324</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,918,324</b>	<b>\$ 1,918,324</b>	<b>\$ 2,260,467</b>	<b>\$ 342,143</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,069,685	\$ 2,069,685	\$ 2,107,561	\$ 37,876
Intergovernmental	4,623,962	4,547,848	4,353,587	(194,261)
Charges for services	484,000	484,000	74,852	(409,148)
Miscellaneous	15,000	15,000	1,460	(13,540)
<b>Total Revenues</b>	<b>\$ 7,192,647</b>	<b>\$ 7,116,533</b>	<b>\$ 6,537,460</b>	<b>\$ (579,073)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highway and streets</b>				
Administration	\$ 587,143	\$ 587,143	\$ 301,348	\$ 285,795
Maintenance	1,930,580	1,930,580	1,779,445	151,135
Construction	4,333,000	4,209,000	3,716,482	492,518
Equipment maintenance and shop	389,810	389,810	507,145	(117,335)
<b>Total highways and streets</b>	<b>\$ 7,240,533</b>	<b>\$ 7,116,533</b>	<b>\$ 6,304,420</b>	<b>\$ 812,113</b>
<b>Debt service</b>				
Principal	-	-	269,184	(269,184)
Interest	-	-	5,749	(5,749)
<b>Total Expenditures</b>	<b>\$ 7,240,533</b>	<b>\$ 7,116,533</b>	<b>\$ 6,579,353</b>	<b>\$ 537,180</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (47,886)</b>	<b>\$ -</b>	<b>\$ (41,893)</b>	<b>\$ (41,893)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of assets	\$ -	\$ -	\$ 4,209	\$ 4,209
Compensation for the loss of capital assets	-	-	5,572	5,572
Proceeds from capital lease	-	-	49,407	49,407
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 59,188</b>	<b>\$ 59,188</b>
<b>Net Change in Fund Balance</b>	<b>\$ (47,886)</b>	<b>\$ -</b>	<b>\$ 17,295</b>	<b>\$ 17,295</b>
<b>Fund Balance - January 1</b>	<b>4,706,346</b>	<b>4,706,346</b>	<b>4,706,346</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>690</b>	<b>690</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,658,460</b>	<b>\$ 4,706,346</b>	<b>\$ 4,724,331</b>	<b>\$ 17,985</b>

Governments have the option of using the purchase or consumption methods for inventory. This example shows the purchase method, which requires adjustment to the consumption method at the government-wide level.

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,518,490	\$ 18,490
Intergovernmental	3,661,508	3,661,508	3,662,148	640
Charges for services	100,000	100,000	209,416	109,416
Miscellaneous	150,000	150,000	311,427	161,427
<b>Total Revenues</b>	<b>\$ 5,411,508</b>	<b>\$ 5,411,508</b>	<b>\$ 5,701,481</b>	<b>\$ 289,973</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,179,709	\$ 1,179,709	\$ 1,192,560	\$ (12,851)
Social services	4,231,799	4,231,799	4,294,425	(62,626)
<b>Total Expenditures</b>	<b>\$ 5,411,508</b>	<b>\$ 5,411,508</b>	<b>\$ 5,486,985</b>	<b>\$ (75,477)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 214,496</b>	<b>\$ 214,496</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 150,000	\$ 150,000
Transfers out	-	-	(150,000)	(150,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 214,496</b>	<b>\$ 214,496</b>
<b>Fund Balance - January 1</b>	<b>242,308</b>	<b>242,308</b>	<b>242,308</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 242,308</b>	<b>\$ 242,308</b>	<b>\$ 456,804</b>	<b>\$ 214,496</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

***Schedule 4***

**BUDGETARY COMPARISON SCHEDULES  
DITCH FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Special assessments	\$ 105,000	\$ 105,000	\$ 111,201	\$ 6,201
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation</b>				
Ditch maintenance	\$ 15,000	\$ 15,000	\$ 46,399	\$ (31,399)
<b>Debt service</b>				
Principal	35,000	35,000	35,000	-
Interest	55,000	55,000	55,113	(113)
<b>Total Expenditures</b>	<b>\$ 105,000</b>	<b>\$ 105,000</b>	<b>\$ 136,512</b>	<b>\$ (31,512)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (25,311)</b>	<b>\$ (25,311)</b>
<b>Fund Balance - January 1</b>	<b>(72,167)</b>	<b>(72,167)</b>	<b>(72,167)</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (72,167)</b>	<b>\$ (72,167)</b>	<b>\$ (97,478)</b>	<b>\$ (25,311)</b>

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**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2002**

1. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Forfeited Tax Special Revenue Fund and 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 mid-June of each year, all departments and agencies submit requests for appropriations to the County Auditor so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. 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. During the year, the Board made the supplemental budgetary appropriations of \$1,724,800 in the General Fund. Supplemental budgetary appropriations in other funds were not considered significant.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., 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.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2002, expenditures exceeded appropriations in the Human Services Special Revenue Fund and the Ditch Special Revenue Fund (the legal level of budgetary control) by \$75,477 and \$31,512 respectively. These over-expenditures were funded by greater than anticipated revenues in the case of the Human Services Fund.

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**SUPPLEMENTARY INFORMATION**

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**GOVERNMENTAL FUNDS**

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2002**

	Special Revenue (Statement 3)	Debt Service (Statement 5)	Capital Projects (Statement 7)	Permanent (Statement 9)	Total Nonmajor Governmental Funds (Exhibit 3)
<b>Assets</b>					
Cash and pooled investments	\$ 2,393,952	\$ 1,038,487	\$ 440,525	\$ 78,850	\$ 3,951,814
Petty cash and change funds	100	-	-	-	100
Undistributed cash in agency funds	5,166	10,250	-	-	15,416
Cash with escrow agent	-	202,844	-	-	202,844
Investments	-	-	500,000	100,530	600,530
Taxes receivable					
Current	321	13,790	-	-	14,111
Prior	777	5,412	-	-	6,189
Special assessments receivable					
Current	2,942	-	-	-	2,942
Prior	3,536	-	-	-	3,536
Noncurrent	341,104	-	-	-	341,104
Accounts receivable	62,407	-	-	-	62,407
Accrued interest receivable	-	263	5,575	75	5,913
Due from other funds	-	66,123	-	-	66,123
Due from other governments	20,735	-	229,060	-	249,795
Advance to other funds	-	60,712	-	-	60,712
<b>Total Assets</b>	<b>\$ 2,831,040</b>	<b>\$ 1,397,881</b>	<b>\$ 1,175,160</b>	<b>\$ 179,455</b>	<b>\$ 5,583,536</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 20,640	\$ -	\$ 19,512	\$ 250	\$ 40,402
Salaries payable	8,209	-	-	-	8,209
Contracts payable	-	-	79,558	-	79,558
Due to other funds	110,762	-	66,123	-	176,885
Due to other governments	59,617	-	3,155	-	62,772
Deferred revenue - unavailable	348,460	17,880	-	-	366,340
Deferred revenue - unearned	59,156	-	-	-	59,156
Advance from other funds	-	-	60,712	-	60,712
<b>Total Liabilities</b>	<b>\$ 606,844</b>	<b>\$ 17,880</b>	<b>\$ 229,060</b>	<b>\$ 250</b>	<b>\$ 854,034</b>
<b>Fund Balances</b>					
Reserved for encumbrances	\$ 35,000	\$ -	\$ -	\$ -	\$ 35,000
Reserved for victim assistance	8,979	-	-	-	8,979
Reserved for conservation	-	-	-	7,355	7,355
Reserved for gravel pit closure	254,914	-	-	-	254,914
Reserved for endowments	-	-	-	110,561	110,561
Unreserved					
Designated for debt service	-	1,380,001	-	-	1,380,001
Designated for future expenditures	10,725	-	-	-	10,725
Designated for capital improvements	-	-	946,100	-	946,100
Designated for landfill closure	1,587,197	-	-	-	1,587,197
Undesignated	327,381	-	-	61,289	388,670
<b>Total Fund Balances</b>	<b>\$ 2,224,196</b>	<b>\$ 1,380,001</b>	<b>\$ 946,100</b>	<b>\$ 179,205</b>	<b>\$ 4,729,502</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,831,040</b>	<b>\$ 1,397,881</b>	<b>\$ 1,175,160</b>	<b>\$ 179,455</b>	<b>\$ 5,583,536</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Statement 2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Special Revenue (Statement 4)	Debt Service (Statement 6)	Capital Projects (Statement 8)	Permanent (Statement 10)	Total Nonmajor Governmental Funds (Exhibit 5)
<b>Revenues</b>					
Taxes	\$ 152,727	\$ 1,007,603	\$ -	\$ -	\$ 1,160,330
Special assessments	231,754	-	-	-	231,754
Licenses and permits	33,966	-	-	-	33,966
Intergovernmental	385,378	6,506	1,087,528	-	1,479,412
Charges for services	17,507	-	-	-	17,507
Fines and forfeits	5,000	-	-	-	5,000
Gifts and contributions	-	-	-	18,749	18,749
Investment earnings	669	7,111	49,481	24,295	81,556
Miscellaneous	32,558	67,339	554,040	-	653,937
<b>Total Revenues</b>	<b>\$ 859,559</b>	<b>\$ 1,088,559</b>	<b>\$ 1,691,049</b>	<b>\$ 43,044</b>	<b>\$ 3,682,211</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 9,927	\$ -	\$ -	\$ -	\$ 9,927
Public safety	61,339	-	-	-	61,339
Sanitation	266,259	-	-	-	266,259
Health	123,028	-	-	-	123,028
Culture and recreation	205,149	-	-	6,207	211,356
Conservation	99,542	-	-	250	99,792
Economic development	50,250	-	-	-	50,250
<b>Capital outlay</b>	-	-	1,526,937	-	1,526,937
<b>Debt service</b>					
Principal	-	280,000	-	-	280,000
Interest	-	421,184	-	-	421,184
<b>Total Expenditures</b>	<b>\$ 815,494</b>	<b>\$ 701,184</b>	<b>\$ 1,526,937</b>	<b>\$ 6,457</b>	<b>\$ 3,050,072</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 44,065</b>	<b>\$ 387,375</b>	<b>\$ 164,112</b>	<b>\$ 36,587</b>	<b>\$ 632,139</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 208,098	\$ 193,566	\$ -	\$ -	\$ 401,664
Transfers out	(206,331)	-	(193,566)	-	(399,897)
Loans issued	50,000	-	-	-	50,000
Transfers to component unit	(60,000)	-	-	-	(60,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (8,233)</b>	<b>\$ 193,566</b>	<b>\$ (193,566)</b>	<b>\$ -</b>	<b>\$ (8,233)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 35,832</b>	<b>\$ 580,941</b>	<b>\$ (29,454)</b>	<b>\$ 36,587</b>	<b>\$ 623,906</b>
<b>Fund Balance - January 1</b>	<b>2,188,364</b>	<b>799,060</b>	<b>975,554</b>	<b>142,618</b>	<b>4,105,596</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,224,196</b>	<b>\$ 1,380,001</b>	<b>\$ 946,100</b>	<b>\$ 179,205</b>	<b>\$ 4,729,502</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2002**

	Environmental Health	Victim Assistance	Revolving Loan
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 1,727,614	\$ 5,900	\$ 154,567
Petty cash and change funds	-	-	-
Undistributed cash in agency funds	2,841	-	-
Taxes receivable			
Current	321	-	-
Prior	-	-	-
Special assessments receivable			
Current	2,942	-	-
Prior	3,536	-	-
Noncurrent	-	-	341,104
Accounts receivable	-	-	-
Due from other governments	10,710	10,025	-
	<b>\$ 1,747,964</b>	<b>\$ 15,925</b>	<b>\$ 495,671</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 19,698	\$ 8	\$ -
Salaries payable	4,984	1,463	-
Due to other funds	33,855	-	-
Due to other governments	11,844	121	-
Deferred revenue - unavailable	6,799	-	341,104
Deferred revenue - unearned	33,587	5,354	-
	<b>\$ 110,767</b>	<b>\$ 6,946</b>	<b>\$ 341,104</b>
<b>Fund Balances</b>			
Reserved for encumbrances	\$ -	\$ -	\$ -
Reserved for victim assistance	-	8,979	-
Reserved for gravel pit closure	-	-	-
Unreserved			
Designated for future expenditures	-	-	-
Designated for landfill closure	1,587,197	-	-
Undesignated	50,000	-	154,567
	<b>\$ 1,637,197</b>	<b>\$ 8,979</b>	<b>\$ 154,567</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,747,964</b>	<b>\$ 15,925</b>	<b>\$ 495,671</b>

***Statement 3***  
***(Continued)***

<b>Regional Railroad Authority</b>	<b>Gravel Tax</b>	<b>Forfeited Tax</b>	<b>Development</b>	<b>Total (Statement 1)</b>
\$ 143,080	\$ 278,354	\$ 38,712	\$ 45,725	\$ 2,393,952
100	-	-	-	100
2,325	-	-	-	5,166
-	-	-	-	321
777	-	-	-	777
-	-	-	-	2,942
-	-	-	-	3,536
-	-	-	-	341,104
-	62,407	-	-	62,407
-	-	-	-	20,735
<b>\$ 146,282</b>	<b>\$ 340,761</b>	<b>\$ 38,712</b>	<b>\$ 45,725</b>	<b>\$ 2,831,040</b>
\$ 934	\$ -	\$ -	\$ -	\$ 20,640
1,762	-	-	-	8,209
-	62,407	14,500	-	110,762
-	23,440	24,212	-	59,617
557	-	-	-	348,460
20,215	-	-	-	59,156
<b>\$ 23,468</b>	<b>\$ 85,847</b>	<b>\$ 38,712</b>	<b>\$ -</b>	<b>\$ 606,844</b>
\$ -	\$ -	\$ -	\$ 35,000	\$ 35,000
-	-	-	-	8,979
-	254,914	-	-	254,914
-	-	-	10,725	10,725
-	-	-	-	1,587,197
122,814	-	-	-	327,381
<b>\$ 122,814</b>	<b>\$ 254,914</b>	<b>\$ -</b>	<b>\$ 45,725</b>	<b>\$ 2,224,196</b>
<b>\$ 146,282</b>	<b>\$ 340,761</b>	<b>\$ 38,712</b>	<b>\$ 45,725</b>	<b>\$ 2,831,040</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Environmental Health	Victim Assistance
<b>Revenues</b>		
Taxes	\$ 16,440	\$ -
Special assessments	95,787	-
Licenses and permits	33,966	-
Intergovernmental	198,031	57,029
Charges for services	13,598	3,909
Fines and forfeits	-	5,000
Investment earnings	-	-
Miscellaneous	4,528	-
	<b>\$ 362,350</b>	<b>\$ 65,938</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ -	\$ -
Public safety	-	56,959
Sanitation	160,376	-
Health	93,028	-
Culture and recreation	-	-
Conservation	91,138	-
Economic development	-	-
	<b>\$ 344,542</b>	<b>\$ 56,959</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 17,808</b>	<b>\$ 8,979</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 208,098	\$ -
Transfers out	(200,000)	-
Loan issued	50,000	-
Transfers to component unit	-	-
	<b>\$ 58,098</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 75,906</b>	<b>\$ 8,979</b>
<b>Fund Balance - January 1</b>	<b>1,561,291</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,637,197</b>	<b>\$ 8,979</b>

**Statement 4**  
**(Continued)**

<u>Revolving Loan</u>	<u>Regional Railroad Authority</u>	<u>Gravel Tax</u>	<u>Development</u>	<u>Total (Statement 2)</u>
\$ -	\$ 133,857	\$ 2,430	\$ -	\$ 152,727
135,967	-	-	-	231,754
-	-	-	-	33,966
-	23,344	-	106,974	385,378
-	-	-	-	17,507
-	-	-	-	5,000
-	669	-	-	669
-	28,030	-	-	32,558
<b>\$ 135,967</b>	<b>\$ 185,900</b>	<b>\$ 2,430</b>	<b>\$ 106,974</b>	<b>\$ 859,559</b>
\$ -	\$ -	\$ -	\$ 9,927	\$ 9,927
-	-	-	4,380	61,339
105,883	-	-	-	266,259
-	-	-	30,000	123,028
-	174,349	-	30,800	205,149
-	-	1,376	7,028	99,542
-	-	-	50,250	50,250
<b>\$ 105,883</b>	<b>\$ 174,349</b>	<b>\$ 1,376</b>	<b>\$ 132,385</b>	<b>\$ 815,494</b>
<b>\$ 30,084</b>	<b>\$ 11,551</b>	<b>\$ 1,054</b>	<b>\$ (25,411)</b>	<b>\$ 44,065</b>
\$ -	\$ -	\$ -	\$ -	\$ 208,098
(6,331)	-	-	-	(206,331)
-	-	-	-	50,000
-	-	-	(60,000)	(60,000)
<b>\$ (6,331)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (60,000)</b>	<b>\$ (8,233)</b>
\$ 23,753	\$ 11,551	\$ 1,054	\$ (85,411)	\$ 35,832
<b>130,814</b>	<b>111,263</b>	<b>253,860</b>	<b>131,136</b>	<b>2,188,364</b>
<b>\$ 154,567</b>	<b>\$ 122,814</b>	<b>\$ 254,914</b>	<b>\$ 45,725</b>	<b>\$ 2,224,196</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Statement 5*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE FUNDS  
DECEMBER 31, 2002**

	<u>County Jail</u>	<u>Courthouse Building</u>	<u>General Obligation</u>	<u>Sanitary Sewer</u>	<u>Total (Statement 1)</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 612,370	\$ 140,641	\$ 227,311	\$ 58,165	\$ 1,038,487
Undistributed cash in agency funds	5,874	4,376	-	-	10,250
Cash with escrow agent	-	202,844	-	-	202,844
Taxes receivable					
Current	7,594	1,903	4,293	-	13,790
Prior	1,701	885	2,826	-	5,412
Accrued interest receivable	-	263	-	-	263
Due from other funds	-	-	-	66,123	66,123
Advance to other funds	-	-	-	60,712	60,712
<b>Total Assets</b>	<b><u>\$ 627,539</u></b>	<b><u>\$ 350,912</u></b>	<b><u>\$ 234,430</u></b>	<b><u>\$ 185,000</u></b>	<b><u>\$ 1,397,881</u></b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Deferred revenue - unavailable	\$ 9,295	\$ 1,466	\$ 7,119	\$ -	\$ 17,880
<b>Fund Balances</b>					
Designated for debt service	618,244	349,446	227,311	185,000	1,380,001
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 627,539</u></b>	<b><u>\$ 350,912</u></b>	<b><u>\$ 234,430</u></b>	<b><u>\$ 185,000</u></b>	<b><u>\$ 1,397,881</u></b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**Statement 6**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>County Jail</u>	<u>Courthouse Building</u>	<u>General Obligation</u>	<u>Sanitary Sewer</u>	<u>Total (Statement 2)</u>
<b>Revenues</b>					
Taxes	\$ 392,084	\$ 153,696	\$ 461,823	\$ -	\$ 1,007,603
Intergovernmental	5,512	225	769	-	6,506
Investment earnings	-	7,111	-	-	7,111
Miscellaneous	67,339	-	-	-	67,339
<b>Total Revenues</b>	<b>\$ 464,935</b>	<b>\$ 161,032</b>	<b>\$ 462,592</b>	<b>\$ -</b>	<b>\$ 1,088,559</b>
<b>Expenditures</b>					
<b>Debt service</b>					
Principal	\$ 105,000	\$ 40,000	\$ 135,000	\$ -	\$ 280,000
Interest	118,785	105,385	188,448	8,566	421,184
<b>Total Expenditures</b>	<b>\$ 223,785</b>	<b>\$ 145,385</b>	<b>\$ 323,448</b>	<b>\$ 8,566</b>	<b>\$ 701,184</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 241,150</b>	<b>\$ 15,647</b>	<b>\$ 139,144</b>	<b>\$ (8,566)</b>	<b>\$ 387,375</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	193,566	193,566
<b>Net Change in Fund Balances</b>	<b>\$ 241,150</b>	<b>\$ 15,647</b>	<b>\$ 139,144</b>	<b>\$ 185,000</b>	<b>\$ 580,941</b>
<b>Fund Balance - January 1</b>	<b>377,094</b>	<b>333,799</b>	<b>88,167</b>	<b>-</b>	<b>799,060</b>
<b>Fund Balance - December 31</b>	<b>\$ 618,244</b>	<b>\$ 349,446</b>	<b>\$ 227,311</b>	<b>\$ 185,000</b>	<b>\$ 1,380,001</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Statement 7*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS FUNDS  
DECEMBER 31, 2002**

	<b>Permanent Improvement</b>	<b>Jail Construction</b>	<b>Sanitary Sewer</b>	<b>Total (Statement 1)</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 374,591	\$ 65,934	\$ -	\$ 440,525
Investments	-	500,000	-	500,000
Accrued interest receivable	3,592	1,983	-	5,575
Due from other governments	-	-	229,060	229,060
	<b>\$ 378,183</b>	<b>\$ 567,917</b>	<b>\$ 229,060</b>	<b>\$ 1,175,160</b>
<b>Total Assets</b>				
 <b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 19,512	\$ 19,512
Contracts payable	-	-	79,558	79,558
Due to other funds	-	-	66,123	66,123
Due to other governments	-	-	3,155	3,155
Advance from other funds	-	-	60,712	60,712
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 229,060</b>	<b>\$ 229,060</b>
<b>Total Liabilities</b>				
<b>Fund Balances</b>				
Unreserved				
Designated for capital improvements	378,183	567,917	-	946,100
	<b>\$ 378,183</b>	<b>\$ 567,917</b>	<b>\$ 229,060</b>	<b>\$ 1,175,160</b>
<b>Total Liabilities and Fund Balances</b>				

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

**Statement 8**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Permanent Improvement</b>	<b>Jail Construction</b>	<b>Sanitary Sewer</b>	<b>Total (Statement 2)</b>
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 1,087,528	\$ 1,087,528
Investment earnings	25,776	23,705	-	49,481
Miscellaneous	6,340	547,700	-	554,040
<b>Total Revenues</b>	<b>\$ 32,116</b>	<b>\$ 571,405</b>	<b>\$ 1,087,528</b>	<b>\$ 1,691,049</b>
<b>Expenditures</b>				
<b>Capital outlay</b>				
General government	\$ 222,390	\$ -	\$ -	\$ 222,390
Public safety	153,015	74,570	-	227,585
Sanitation	-	-	1,076,962	1,076,962
<b>Total Expenditures</b>	<b>\$ 375,405</b>	<b>\$ 74,570</b>	<b>\$ 1,076,962</b>	<b>\$ 1,526,937</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (343,289)</b>	<b>\$ 496,835</b>	<b>\$ 10,566</b>	<b>\$ 164,112</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(193,566)	(193,566)
<b>Net Change in Fund Balances</b>	<b>\$ (343,289)</b>	<b>\$ 496,835</b>	<b>\$ (183,000)</b>	<b>\$ (29,454)</b>
<b>Fund Balance - January 1</b>	<b>721,472</b>	<b>71,082</b>	<b>183,000</b>	<b>975,554</b>
<b>Fund Balance - December 31</b>	<b>\$ 378,183</b>	<b>\$ 567,917</b>	<b>\$ -</b>	<b>\$ 946,100</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

***Statement 9***

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
PERMANENT FUNDS  
DECEMBER 31, 2002**

	<b>Conservation Reserve</b>	<b>Cemetery</b>	<b>Total (Statement 1)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 57,605	\$ 21,245	\$ 78,850
Investments	-	100,530	100,530
Accrued interest receivable	-	75	75
	<b>\$ 57,605</b>	<b>\$ 121,850</b>	<b>\$ 179,455</b>
 <b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 250	\$ -	\$ 250
 <b>Fund Balances</b>			
Reserved for endowments	\$ 50,000	\$ 60,561	\$ 110,561
Reserved for conservation	7,355	-	7,355
Unreserved			
Undesignated	-	61,289	61,289
	<b>\$ 57,355</b>	<b>\$ 121,850</b>	<b>\$ 179,205</b>
<b>Total Fund Balances</b>	<b>\$ 57,355</b>	<b>\$ 121,850</b>	<b>\$ 179,205</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 57,605</b>	<b>\$ 121,850</b>	<b>\$ 179,455</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Statement 10*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
PERMANENT FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Conservation Reserve</u>	<u>Cemetery</u>	<u>Total (Statement 2)</u>
<b>Revenues</b>			
Gifts and contributions	\$ -	\$ 18,749	\$ 18,749
Investment earnings	1,938	22,357	24,295
<b>Total Revenues</b>	<b>\$ 1,938</b>	<b>\$ 41,106</b>	<b>\$ 43,044</b>
<b>Expenditures</b>			
<b>Current</b>			
Culture and recreation	\$ -	\$ 6,207	\$ 6,207
Conservation	250	-	250
<b>Total Expenditures</b>	<b>\$ 250</b>	<b>\$ 6,207</b>	<b>\$ 6,457</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,688</b>	<b>\$ 34,899</b>	<b>\$ 36,587</b>
<b>Fund Balance - January 1</b>	<b>55,667</b>	<b>86,951</b>	<b>142,618</b>
<b>Fund Balance - December 31</b>	<b>\$ 57,355</b>	<b>\$ 121,850</b>	<b>\$ 179,205</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
ENVIRONMENTAL HEALTH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ -	\$ 17,000	\$ 16,440	\$ (560)
Special assessments	-	93,000	95,787	2,787
Licenses and permits	29,100	29,100	33,966	4,866
Intergovernmental	196,705	196,705	198,031	1,326
Charges for services	14,200	14,200	13,598	(602)
Miscellaneous	67,826	67,826	4,528	(63,298)
<b>Total Revenues</b>	<b>\$ 307,831</b>	<b>\$ 417,831</b>	<b>\$ 362,350</b>	<b>\$ (55,481)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 157,654	\$ 157,654	\$ 160,376	\$ (2,722)
<b>Health</b>				
County health officer	99,804	99,804	93,028	6,776
<b>Conservation</b>				
Water planning	189,847	189,847	91,138	98,709
<b>Total Expenditures</b>	<b>\$ 447,305</b>	<b>\$ 447,305</b>	<b>\$ 344,542</b>	<b>\$ 102,763</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (139,474)</b>	<b>\$ (29,474)</b>	<b>\$ 17,808</b>	<b>\$ 47,282</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 208,098	\$ 208,098
Transfers out	-	-	(200,000)	(200,000)
Proceeds from loan	-	-	50,000	50,000
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 58,098</b>	<b>\$ 58,098</b>
<b>Net Change in Fund Balance</b>	<b>\$ (139,474)</b>	<b>\$ (29,474)</b>	<b>\$ 75,906</b>	<b>\$ 105,380</b>
<b>Fund Balance - January 1</b>	<b>1,561,291</b>	<b>1,561,291</b>	<b>1,561,291</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,421,817</b>	<b>\$ 1,531,817</b>	<b>\$ 1,637,197</b>	<b>\$ 105,380</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
VICTIM ASSISTANCE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 45,000	\$ 60,000	\$ 57,029	\$ (2,971)
Charges for services	1,000	1,000	3,909	2,909
Fines and forfeits	-	-	5,000	5,000
<b>Total Revenues</b>	<b>\$ 46,000</b>	<b>\$ 61,000</b>	<b>\$ 65,938</b>	<b>\$ 4,938</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Victim assistance	46,000	61,000	56,959	4,041
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,979</b>	<b>\$ 8,979</b>
<b>Fund Balance - January 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,979</b>	<b>\$ 8,979</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Schedule 7*

**BUDGETARY COMPARISON SCHEDULES  
REVOLVING LOAN FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 100,000	\$ 100,000	\$ 105,967	\$ 5,967
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Other	80,000	80,000	75,883	4,117
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 30,084</b>	<b>\$ 10,084</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(6,331)	(6,331)
<b>Net Change in Fund Balance</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 23,753</b>	<b>\$ 3,753</b>
<b>Fund Balance - January 1</b>	<b>130,814</b>	<b>130,814</b>	<b>130,814</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b><u>\$ 150,814</u></b>	<b><u>\$ 150,814</u></b>	<b><u>\$ 154,567</u></b>	<b><u>\$ 3,753</u></b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Schedule 8*

**BUDGETARY COMPARISON SCHEDULE  
REGIONAL RAILROAD AUTHORITY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 156,315	\$ 156,315	\$ 133,857	\$ (22,458)
Intergovernmental	-	-	23,344	23,344
Interest on investments	2,000	2,000	669	(1,331)
Miscellaneous	26,394	26,394	28,030	1,636
<b>Total Revenues</b>	<b>\$ 184,709</b>	<b>\$ 184,709</b>	<b>\$ 185,900</b>	<b>\$ 1,191</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Regional railroad	184,709	184,709	174,349	10,360
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,551</b>	<b>\$ 11,551</b>
<b>Fund Balance - January 1</b>	<b>111,263</b>	<b>111,263</b>	<b>111,263</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 111,263</b>	<b>\$ 111,263</b>	<b>\$ 122,814</b>	<b>\$ 11,551</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

***Schedule 9***

**BUDGETARY COMPARISON SCHEDULE  
GRAVEL TAX SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 2,500	\$ 2,500	\$ 2,430	\$ (70)
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation</b>				
Other	2,500	2,500	1,376	1,124
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,054</b>	<b>\$ 1,054</b>
<b>Fund Balance - January 1</b>	<b>253,860</b>	<b>253,860</b>	<b>253,860</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b><u>\$ 253,860</u></b>	<b><u>\$ 253,860</u></b>	<b><u>\$ 254,914</u></b>	<b><u>\$ 1,054</u></b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Schedule 10  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
DEVELOPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 132,000	\$ 132,000	\$ 106,974	\$ (25,026)
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Remonumentation	\$ 10,000	\$ 10,000	\$ 9,927	\$ 73
<b>Public safety</b>				
Fire protection	\$ -	\$ -	\$ 1,380	\$ (1,380)
Other public safety	-	-	3,000	(3,000)
<b>Total public safety</b>	\$ -	\$ -	\$ 4,380	\$ (4,380)
<b>Health</b>				
Health center	\$ -	\$ -	\$ 30,000	\$ (30,000)
<b>Culture and recreation</b>				
Historical society	\$ -	\$ -	\$ 800	\$ (800)
Parks	25,000	25,000	25,000	-
Senior citizens	5,000	5,000	5,000	-
<b>Total culture and recreation</b>	\$ 30,000	\$ 30,000	\$ 30,800	\$ (800)
<b>Conservation</b>				
Agricultural society	\$ 2,700	\$ 2,700	\$ 4,228	\$ (1,528)
Land use	5,000	5,000	2,500	2,500
Other	7,300	7,300	300	7,000
<b>Total conservation</b>	\$ 15,000	\$ 15,000	\$ 7,028	\$ 7,972
<b>Economic development</b>				
Community development	\$ 15,000	\$ 15,000	\$ 50,000	\$ (35,000)
Other economic development	2,000	2,000	250	1,750
<b>Total economic development</b>	\$ 17,000	\$ 17,000	\$ 50,250	\$ (33,250)
<b>Total Expenditures</b>	\$ 72,000	\$ 72,000	\$ 132,385	\$ (60,385)

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

***Schedule 10  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
DEVELOPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ 60,000	\$ 60,000	\$ (25,411)	\$ (85,411)
<b>Other Financing Sources (Uses)</b> Transfers to component unit	(60,000)	(60,000)	(60,000)	-
<b>Net Change in Fund Balance</b>	\$ -	\$ -	\$ (85,411)	\$ (85,411)
<b>Fund Balance - January 1</b>	<u>131,136</u>	<u>131,136</u>	<u>131,136</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 131,136</u>	<u>\$ 131,136</u>	<u>\$ 45,725</u>	<u>\$ (85,411)</u>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Schedule 11*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY JAIL DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 390,000	\$ 390,000	\$ 392,084	\$ 2,084
Intergovernmental	-	-	5,512	5,512
Miscellaneous	70,000	70,000	67,339	(2,661)
<b>Total Revenues</b>	<b>\$ 460,000</b>	<b>\$ 460,000</b>	<b>\$ 464,935</b>	<b>\$ 4,935</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 105,000	\$ 105,000	\$ 105,000	\$ -
Interest	120,000	120,000	118,785	1,215
<b>Total Expenditures</b>	<b>\$ 225,000</b>	<b>\$ 225,000</b>	<b>\$ 223,785</b>	<b>\$ 1,215</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 235,000</b>	<b>\$ 235,000</b>	<b>\$ 241,150</b>	<b>\$ 6,150</b>
<b>Fund Balance - January 1</b>	<b>377,094</b>	<b>377,094</b>	<b>377,094</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 612,094</b>	<b>\$ 612,094</b>	<b>\$ 618,244</b>	<b>\$ 6,150</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Schedule 12*

**BUDGETARY COMPARISON SCHEDULE  
COURTHOUSE BUILDING DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 155,000	\$ 155,000	\$ 153,696	\$ (1,304)
Intergovernmental	-	-	225	225
Interest on investments	7,500	7,500	7,111	(389)
<b>Total Revenues</b>	<b>\$ 162,500</b>	<b>\$ 162,500</b>	<b>\$ 161,032</b>	<b>\$ (1,468)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Interest	105,500	105,500	105,385	115
<b>Total Expenditures</b>	<b>\$ 145,500</b>	<b>\$ 145,500</b>	<b>\$ 145,385</b>	<b>\$ 115</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 17,000</b>	<b>\$ 17,000</b>	<b>\$ 15,647</b>	<b>\$ (1,353)</b>
<b>Fund Balance - January 1</b>	<b>333,799</b>	<b>333,799</b>	<b>333,799</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 350,799</b>	<b>\$ 350,799</b>	<b>\$ 349,446</b>	<b>\$ (1,353)</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Schedule 13*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL OBLIGATION DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 462,000	\$ 462,000	\$ 461,823	\$ (177)
Intergovernmental	-	-	769	769
Interest on investments	-	-	-	-
<b>Total Revenues</b>	<b>\$ 462,000</b>	<b>\$ 462,000</b>	<b>\$ 462,592</b>	<b>\$ 592</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 135,000	\$ 135,000	\$ 135,000	\$ -
Interest	190,000	190,000	188,448	1,552
<b>Total Expenditures</b>	<b>\$ 325,000</b>	<b>\$ 325,000</b>	<b>\$ 323,448</b>	<b>\$ 1,552</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 137,000</b>	<b>\$ 137,000</b>	<b>\$ 139,144</b>	<b>\$ 2,144</b>
<b>Fund Balance - January 1</b>	<b>88,167</b>	<b>88,167</b>	<b>88,167</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 225,167</b>	<b>\$ 225,167</b>	<b>\$ 227,311</b>	<b>\$ 2,144</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Schedule 14*

**BUDGETARY COMPARISON SCHEDULE  
SANITARY SEWER DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Debt service</b>				
Interest	\$ -	\$ 8,570	\$ 8,566	\$ 4
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	193,500	193,566	66
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 184,930</b>	<b>\$ 185,000</b>	<b>\$ 70</b>
<b>Fund Balance - January 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b><u>\$ -</u></b>	<b><u>\$ 184,930</u></b>	<b><u>\$ 185,000</u></b>	<b><u>\$ 70</u></b>

**PROPRIETARY FUNDS**

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Statement 11*

**COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
DECEMBER 31, 2002**

	Self-Insurance	Central Garage	Total
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and pooled investments	\$ 862,431	\$ 36,000	\$ 898,431
Investments	-	17,200	17,200
Accrued interest receivable	-	2,200	2,200
Due from other funds	-	63,700	63,700
Due from other governments	-	4,200	4,200
Inventories	-	23,100	23,100
Prepaid items	-	37,800	37,800
	<b>\$ 862,431</b>	<b>\$ 184,200</b>	<b>\$ 1,046,631</b>
<b>Noncurrent assets</b>			
Capital assets			
Depreciable (net)	-	2,313,300	2,313,300
	<b>\$ 862,431</b>	<b>\$ 2,497,500</b>	<b>\$ 3,359,931</b>
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Accounts payable	\$ 143,693	\$ 228,700	\$ 372,393
Compensated absences payable	-	2,000	2,000
Due to other funds	-	18,700	18,700
	<b>\$ 143,693</b>	<b>\$ 249,400</b>	<b>\$ 393,093</b>
<b>Noncurrent liabilities</b>			
Advance from other funds	\$ -	\$ 31,600	\$ 31,600
Compensated absences payable - long-term	-	3,100	3,100
Claims and judgments payable - long-term	132,766	-	132,766
	<b>\$ 132,766</b>	<b>\$ 34,700</b>	<b>\$ 167,466</b>
	<b>\$ 276,459</b>	<b>\$ 284,100</b>	<b>\$ 560,559</b>
<b><u>Net Assets</u></b>			
Invested in capital assets net of related debt	\$ -	\$ 2,313,300	\$ 2,313,300
Unrestricted	585,972	(99,900)	486,072
	<b>\$ 585,972</b>	<b>\$ 2,213,400</b>	<b>\$ 2,799,372</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Statement 12*

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Self-Insurance	Central Garage	Total
<b>Operating Revenues</b>			
Charges for services	\$ 1,670,202	\$ 1,264,400	\$ 2,934,602
<b>Operating Expenses</b>			
Claims paid	\$ 1,672,163	\$ -	\$ 1,672,163
Administrative and fiscal services	-	70,600	70,600
Other services and charges	-	772,900	772,900
Depreciation	-	419,300	419,300
<b>Total Operating Expenses</b>	<b>\$ 1,672,163</b>	<b>\$ 1,262,800</b>	<b>\$ 2,934,963</b>
<b>Operating Income (Loss)</b>	<b>\$ (1,961)</b>	<b>\$ 1,600</b>	<b>\$ (361)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	-	6,300	6,300
<b>Net Income (Loss) Before Transfers and Contributions</b>	<b>\$ (1,961)</b>	<b>\$ 7,900</b>	<b>\$ 5,939</b>
Transfers in	-	2,205,500	2,205,500
<b>Change in Net Assets</b>	<b>\$ (1,961)</b>	<b>\$ 2,213,400</b>	<b>\$ 2,211,439</b>
<b>Net Assets - January 1</b>	<b>587,933</b>	<b>-</b>	<b>587,933</b>
<b>Net Assets - December 31</b>	<b>\$ 585,972</b>	<b>\$ 2,213,400</b>	<b>\$ 2,799,372</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

***Statement 13  
(Continued)***

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Self-Insurance</u>	<u>Central Garage</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ -	\$ 124,000	\$ 124,000
Receipts from internal services provided	1,935,326	1,072,000	3,007,326
Payments to suppliers	(1,852,355)	(599,800)	(2,452,155)
Payments to employees	-	(60,000)	(60,000)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 82,971</b>	<b>\$ 536,200</b>	<b>\$ 619,171</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Advance from other funds	\$ -	\$ 40,000	\$ 40,000
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital contributions	\$ -	\$ 45,200	\$ 45,200
Purchases of capital assets	-	(572,300)	(572,300)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ -</b>	<b>\$ (527,100)</b>	<b>\$ (527,100)</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from sales and maturities of investments	\$ -	\$ 31,100	\$ 31,100
Purchases of investments	-	(48,300)	(48,300)
Investment earnings received	-	4,100	4,100
<b>Net cash provided by (used in) investing activities</b>	<b>\$ -</b>	<b>\$ (13,100)</b>	<b>\$ (13,100)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 82,971</b>	<b>\$ 36,000</b>	<b>\$ 118,971</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>779,460</b>	<b>-</b>	<b>779,460</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 862,431</b>	<b>\$ 36,000</b>	<b>\$ 898,431</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

***Statement 13  
(Continued)***

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
Increase (Decrease) in Cash and Cash Equivalents**

	Self-Insurance	Central Garage	Total
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>			
Operating income	\$ (1,961)	\$ 1,600	\$ (361)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Depreciation expense	\$ -	\$ 419,300	\$ 419,300
(Increase) decrease in due from other governments	-	(4,200)	(4,200)
(Increase) decrease in due from other funds	-	(63,700)	(63,700)
(Increase) decrease in inventories	-	(23,100)	(23,100)
(Increase) decrease in prepaid items	-	(37,800)	(37,800)
Increase (decrease) in accounts payable	143,693	228,700	372,393
Increase (decrease) in compensated absences payable	-	5,100	5,100
Increase (decrease) in due to other funds	-	10,300	10,300
Increase (decrease) in claims payable	(58,761)	-	(58,761)
<b>Total adjustments</b>	<b>\$ 84,932</b>	<b>\$ 534,600</b>	<b>\$ 619,532</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 82,971</b>	<b>\$ 536,200</b>	<b>\$ 619,171</b>
<b>Noncash Investing, Capital, and Financing Activities</b>			
Contributions of general capital assets from County	\$ -	\$ 2,160,300	\$ 2,160,300
Capital asset trade-ins	-	48,100	48,100

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## **FIDUCIARY FUNDS**

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Statement 14*

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
INVESTMENT TRUST FUNDS  
DECEMBER 31, 2002**

	<b>Cemetery</b>	<b>Family Services Collaborative</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 3,239	\$ 363,101	\$ 366,340
Receivables			
Interest	72	846	918
<b>Total Assets</b>	<b>\$ 3,311</b>	<b>\$ 363,947</b>	<b>\$ 367,258</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 103	\$ -	\$ 103
<b><u>Net Assets</u></b>			
Net assets, held in trust for pool participants	<b>\$ 3,208</b>	<b>\$ 363,947</b>	<b>\$ 367,155</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Statement 15*

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
INVESTMENT TRUST FUNDS  
DECEMBER 31, 2002**

	<u>Cemetery</u>	<u>Family Services Collaborative</u>	<u>Total</u>
<b>Additions</b>			
Contributions from participants	\$ -	\$ 278,185	\$ 278,185
Investment earnings			
Interest	\$ 218	\$ 11,965	\$ 12,183
Net (decrease) in fair value of investments	-	(3,500)	(3,500)
<b>Total investment earnings</b>	<b>\$ 218</b>	<b>\$ 8,465</b>	<b>\$ 8,683</b>
<b>Total Additions</b>	<b>\$ 218</b>	<b>\$ 286,650</b>	<b>\$ 286,868</b>
<b>Deductions</b>			
Distributions to participants	214	218,829	219,043
<b>Change in Net Assets</b>	<b>\$ 4</b>	<b>\$ 67,821</b>	<b>\$ 67,825</b>
<b>Net Assets - January 1</b>	<b>3,204</b>	<b>296,126</b>	<b>299,330</b>
<b>Net Assets - December 31</b>	<b>\$ 3,208</b>	<b>\$ 363,947</b>	<b>\$ 367,155</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Statement 16*

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
PRIVATE-PURPOSE TRUST FUNDS  
DECEMBER 31, 2002**

	Missing Heirs	Cemetery Perpetual Care	Total
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 9,107	\$ 8,151	\$ 17,258
Investments			
Short-term investments	-	61,850	61,850
Receivables			
Interest	130	753	883
<b>Total Assets</b>	<b>\$ 9,237</b>	<b>\$ 70,754</b>	<b>\$ 79,991</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ -	\$ 3,667	\$ 3,667
<b><u>Net Assets</u></b>			
Net assets, held in trust	<b>\$ 9,237</b>	<b>\$ 67,087</b>	<b>\$ 76,324</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Statement 17*

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE-PURPOSE TRUST FUNDS  
DECEMBER 31, 2002**

	<u>Missing Heirs</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
<b>Additions</b>			
Trust deposits	\$ 1,800	\$ 1,100	\$ 2,900
Investment earnings			
Interest	130	3,576	3,706
Net increase (decrease) in fair value of investments	250	1,250	1,500
<b>Total Additions</b>	<b>\$ 2,180</b>	<b>\$ 5,926</b>	<b>\$ 8,106</b>
<b>Deductions</b>			
Payments in accordance with trust agreements	\$ -	\$ 3,629	\$ 3,629
Payments to heirs	7,163	-	7,163
<b>Total Deductions</b>	<b>\$ 7,163</b>	<b>\$ 3,629</b>	<b>\$ 10,792</b>
<b>Change in Net Assets</b>	<b>\$ (4,983)</b>	<b>\$ 2,297</b>	<b>\$ (2,686)</b>
<b>Net Assets - January 1</b>	<b>14,220</b>	<b>64,790</b>	<b>79,010</b>
<b>Net Assets - December 31</b>	<b>\$ 9,237</b>	<b>\$ 67,087</b>	<b>\$ 76,324</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Statement 18  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>SNOWMOBILE TRAILS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 226	\$ 217,018	\$ 217,019	\$ 225
<b><u>Liabilities</u></b>				
Accounts payable	\$ 226	\$ 217,018	\$ 217,019	\$ 225
 <b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 80,660	\$ 1,345,364	\$ 1,284,985	\$ 141,039
Accounts receivable	6,638	7,885	6,638	7,885
<b>Total Assets</b>	<b>\$ 87,298</b>	<b>\$ 1,353,249</b>	<b>\$ 1,291,623</b>	<b>\$ 148,924</b>
<b><u>Liabilities</u></b>				
Due to other governments	\$ 87,298	\$ 1,353,249	\$ 1,291,623	\$ 148,924
 <b><u>OTHER COLLECTIONS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 4,692	\$ 140,697	\$ 132,950	\$ 12,439
<b><u>Liabilities</u></b>				
Accounts payable	\$ 4,692	\$ 140,697	\$ 132,950	\$ 12,439

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Statement 18  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,360,679	\$ 1,149,813	\$ 979,764	\$ 1,530,728
Due from other governments	-	274,790	-	274,790
<b>Total Assets</b>	<b>\$ 1,360,679</b>	<b>\$ 1,424,603</b>	<b>\$ 979,764</b>	<b>\$ 1,805,518</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 1,360,679</b>	<b>\$ 1,424,603</b>	<b>\$ 979,764</b>	<b>\$ 1,805,518</b>
 <b><u>COLLECTIONS FOR OTHER AGENCIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ 19,373</b>	<b>\$ 192,294</b>	<b>\$ 195,084</b>	<b>\$ 16,583</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 19,373</b>	<b>\$ 192,294</b>	<b>\$ 195,084</b>	<b>\$ 16,583</b>
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ 884,560</b>	<b>\$ 17,165,042</b>	<b>\$ 16,997,990</b>	<b>\$ 1,051,612</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 884,560</b>	<b>\$ 17,165,042</b>	<b>\$ 16,997,990</b>	<b>\$ 1,051,612</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

***Statement 18  
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 2,350,190	\$ 20,210,228	\$ 19,807,792	\$ 2,752,626
Accounts receivable	6,638	7,885	6,638	7,885
Due from other governments	-	274,790	-	274,790
<b>Total Assets</b>	<b>\$ 2,356,828</b>	<b>\$ 20,492,903</b>	<b>\$ 19,814,430</b>	<b>\$ 3,035,301</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 4,918	\$ 357,715	\$ 349,969	\$ 12,664
Due to other governments	2,351,910	20,135,188	19,464,461	3,022,637
<b>Total Liabilities</b>	<b>\$ 2,356,828</b>	<b>\$ 20,492,903</b>	<b>\$ 19,814,430</b>	<b>\$ 3,035,301</b>

## **COMPONENT UNIT**

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Statement 19*

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET  
COMPONENT UNIT  
AREA ICE ARENA  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>General Fund</b>	<b>Adjustments (Note 5.C.)</b>	<b>Statement of Net Assets</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 41,741	\$ -	\$ 41,741
Accounts receivable	25,531	-	25,531
Due from other governments	69,553	-	69,553
Due from primary government	69,994	-	69,994
Capital assets			
Depreciable (net)	-	941,015	941,015
<b>Total Assets</b>	<b>\$ 206,819</b>	<b>\$ 941,015</b>	<b>\$ 1,147,834</b>
<b><u>Liabilities</u></b>			
Current liabilities			
Accounts payable	\$ 4,287	\$ -	\$ 4,287
Salaries payable	4,302	-	4,302
Accrued interest payable	-	4,848	4,848
Advance from other governments	220,212	-	
Long-term liabilities			
Due within one year	-	64,580	64,580
Due after one year	-	356,200	576,412
<b>Total Liabilities</b>	<b>\$ 228,801</b>	<b>\$ 425,628</b>	<b>\$ 654,429</b>
<b><u>Fund Balance</u></b>			
<b>Fund Balance</b>			
Unreserved			
Undesignated	(21,982)	\$ 21,982	\$ -
<b>Total Liabilities and Fund Balance</b>	<b>\$ 206,819</b>		
<b>Net Assets</b>			
Invested in capital assets net of related debt		\$ 528,457	\$ 528,457
Unrestricted		(35,052)	(35,052)
<b>Total Net Assets</b>		<b>\$ 493,405</b>	<b>\$ 493,405</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Statement 20*

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
COMPONENT UNIT  
AREA ICE ARENA  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General Fund</u>	<u>Adjustments (Note 5.C.)</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Intergovernmental	\$ 63,725	\$ -	\$ 63,725
Charges for services	167,921	-	167,921
Miscellaneous	16,275	-	16,275
<b>Total Revenues</b>	<b>\$ 247,921</b>	<b>\$ -</b>	<b>\$ 247,921</b>
<b>Expenditures</b>			
<b>Current</b>			
Culture and recreation	\$ 176,444	\$ 53,736	\$ 230,180
<b>Capital outlay</b>	10,750	(10,750)	-
<b>Debt service</b>			
Principal	62,370	(62,370)	-
Interest	25,919	(732)	25,187
<b>Total Expenditures</b>	<b>\$ 275,483</b>	<b>\$ (20,116)</b>	<b>\$ 255,367</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (27,562)</b>	<b>\$ 20,116</b>	<b>\$ (7,446)</b>
<b>Fund Balance - January 1</b>	<b>5,580</b>	<b>495,271</b>	<b>500,851</b>
<b>Fund Balance - December 31</b>	<b>\$ (21,982)</b>	<b>\$ 515,387</b>	<b>\$ 493,405</b>

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## **OTHER SCHEDULES**

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

***Schedule 15  
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Total Governmental Funds</b>	<b>Total Enterprise Funds</b>	<b>Total Primary Government</b>	<b>Total Component Units</b>
<b>Shared Revenue</b>				
<b>State</b>				
Highway users tax	\$ 3,496,923	\$ -	\$ 3,496,923	\$ -
Market value credit	1,867,060	-	1,867,060	-
Mobile home MVC	15,625	-	15,625	-
PERA rate reimbursement	13,155	4,826	17,981	-
Disparity reduction aid	101,164	-	101,164	-
Family preservation aid	51,196	-	51,196	-
Police aid	72,641	-	72,641	-
Criminal justice aid	100,491	-	100,491	-
<b>Total Shared Revenue</b>	<b>\$ 5,718,255</b>	<b>\$ 4,826</b>	<b>\$ 5,723,081</b>	<b>\$ -</b>
<b>Reimbursement for Services</b>				
<b>State</b>				
Minnesota Department of Human Services	\$ 1,156,674	\$ -	\$ 1,156,674	\$ -
<b>Payments</b>				
<b>Local</b>				
City contribution	\$ 229,886	\$ -	\$ 229,886	\$ -
Local health	-	800	800	-
Local contributions	-	-	-	63,725
Payments in lieu of taxes	135,141	-	135,141	-
<b>Total Payments</b>	<b>\$ 365,027</b>	<b>\$ 800</b>	<b>\$ 365,827</b>	<b>\$ 63,725</b>
<b>Grants</b>				
<b>State</b>				
Minnesota Department/Board of Administration	\$ 41,582	\$ -	\$ 41,582	\$ -
Crime Victim Services	19,181	-	19,181	-
Revenue	15,859	-	15,859	-
Education	239,810	-	239,810	-
Corrections	66,689	-	66,689	-
Public Safety	2,638	-	2,638	-
Transportation	15,473	-	15,473	-
Trade and Economic Security	28,063	-	28,063	-
Health	87,011	402,583	489,594	-
Natural Resources	22,162	-	22,162	-
Human Services	896,422	-	896,422	-
Soil and Water Resources	74,305	-	74,305	-
Veterans Services	2,341	-	2,341	-
Office of Environmental Assistance	68,561	210,527	279,088	-
Pollution Control Agency	19,250	-	19,250	-
Miscellaneous boards	79,284	-	79,284	-
<b>Total State</b>	<b>\$ 1,678,631</b>	<b>\$ 613,110</b>	<b>\$ 2,291,741</b>	<b>\$ -</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Schedule 15*  
*(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Total Governmental Funds</b>	<b>Total Enterprise Funds</b>	<b>Total Primary Government</b>	<b>Total Component Units</b>
<b>Grants (Continued)</b>				
<b>Federal</b>				
Department of				
Agriculture	\$ 995,038	\$ 221,829	\$ 1,216,867	\$ -
HUD	71,936	-	71,936	218,333
Justice	92,027	-	92,027	-
Transportation	8,000	-	8,000	-
Emergency Management	13,080	-	13,080	-
Health and Human Services	807,761	93,244	901,005	-
<b>Total Federal</b>	<b>\$ 1,987,842</b>	<b>\$ 315,073</b>	<b>\$ 2,302,915</b>	<b>\$ 218,333</b>
<b>Total State and Federal Grants</b>	<b>\$ 3,666,473</b>	<b>\$ 928,183</b>	<b>\$ 4,594,656</b>	<b>\$ 218,333</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 10,906,429</b>	<b>\$ 933,809</b>	<b>\$ 11,840,238</b>	<b>\$ 282,058</b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Schedule 16*  
*(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants and Children	10.557	\$ 221,829	\$ -
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	7,509	-
Passed Through Minnesota Department of Agriculture Water and Waste Disposal Systems for Rural Communities	10.760	<u>987,529</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 1,216,867</u></b>	<b><u>\$ -</u></b>
<b>U.S. Department of Housing and Urban Development</b>			
Passed Through Minnesota Department of Trade and Economic Development Community Development Block Grant/State's Program	14.228	\$ 71,936	\$ -
Direct Section 8 Rental Voucher Program	14.855	136,395	-
Lower Income Housing Assistance Program	14.856	<u>81,938</u>	<u>-</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<b><u>\$ 290,269</u></b>	<b><u>\$ -</u></b>
<b>U.S. Department of Justice</b>			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance Grant	16.575	\$ 37,848	\$ -
Byrne Formula Grant Program	16.579	24,999	-
Direct Public Safety Partnership and Community Policing Grants	16.710	<u>29,180</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>		<b><u>\$ 92,027</u></b>	<b><u>\$ -</u></b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Boating Safety Financial Assistance	20.005	\$ 5,000	\$ -
State and Community Highway Safety	20.600	<u>3,000</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>		<b><u>\$ 8,000</u></b>	<b><u>\$ -</u></b>
<b>Federal Emergency Management Administration</b>			
Passed Through Minnesota Department of Public Safety Public Assistance Grants	83.544	\$ 9,080	-
Emergency Management Performance Grants	83.552	<u>4,000</u>	<u>-</u>
<b>Total Federal Emergency Management Administration</b>		<b><u>\$ 13,080</u></b>	<b><u>\$ -</u></b>

**MINNESOTA COUNTY  
ANY CITY, MINNESOTA**

*Schedule 16*  
*(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	\$ 21,000	\$ 21,000
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families	93.558	150,664	-
Passed Through Minnesota Department of Education Child Care Mandatory and Matching Funds	93.596	170,437	-
Passed Through Minnesota Department of Human Services Children's Justice Grants to States	93.643	737	-
Child Welfare Services - State Grants	93.645	8,561	-
Foster Care Title IV-E	93.658	171,787	-
Social Services Block Grant Title XX	93.667	260,314	26,503
Chafee Foster Care Independent Living	93.674	4,700	-
Passed Through Minnesota Department of Health Block Grant - Prevention/Treatment of Substance Abuse	93.959	12,532	-
Maternal and Child Health Services Block Grant	93.994	100,273	59,712
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 901,005</b>	<b>\$ 107,215</b>
<b>Total Cash Awards</b>		<b>\$ 2,521,248</b>	<b>\$ 107,215</b>
<b>Noncash Awards</b>			
U.S. Environmental Protection Agency Passed Through Minnesota Department of Agriculture Agricultural Best Management Loan Program (Ag BMP) loans	66.458	196,462	
<b>Total Federal Awards</b>		<b>\$ 2,717,710</b>	

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Minnesota County. The County's reporting entity is defined in Note 1 to the general purpose financial statements.
2. The expenditures on this schedule are on the basis of accounting used by the individual funds of the county. Governmental funds use the modified accrual basis of accounting. The basis used for CFDA No. 66.458 is the value of new loans made during the year.
3. Pass-through grant numbers were not assigned by the pass-through agencies.

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SUBJECT:

Suggested Interim Reporting

PURPOSE:

To outline a number of desirable interim reports and illustrate the format for each report.

DISCUSSION:

Interim reports will be of benefit principally to county officials. The reports should be prepared in enough detail to be useful in financial decision making and should contain comparative data on the reporting period and year-to-date as well as comparisons with the approved budget.

All counties should consider preparing interim financial reports on a monthly and quarterly basis. During months when a quarterly report is prepared, a monthly report need not be compiled. The types of interim reports will vary depending on the needs of the individual county. These reports should include the following statements as a minimum:

1. Combined Statement of Cash Position;
2. Combined Statement of Cash Receipts, Transfers, and Disbursements (including beginning and ending balances);
3. Statement of Estimated and Actual Revenues for individual funds; and
4. Budget/Expenditure Reports for individual departments/programs/funds.

In some cases, counties will want to make use of certain other reports, particularly where accounting for enterprise and internal service funds is used. Also, the county finance officer may want to report a forecast of cash requirements to the commissioners for the next reporting period. To accomplish this, two other interim reports are suggested:

1. Comparative Statement of Revenue and Expense (for enterprise and internal service funds); and

August 2003

## 2. Combined Forecast of Cash Position--all funds.

Descriptions of Interim Reports

The following reports are illustrated beginning at page 3. They are models for county use. In some cases, modifications will be necessary to fit special county needs; however, the county should develop its reports in conformance with the suggested formats to the greatest extent possible.

- N The Combined Statement of Cash Position--Summarizes the actual short-term assets (demand deposits and investments) in a county's accounts at a certain date. In effect, it tells how much cash and easily liquidated assets the county has on hand (as opposed to how much revenue it has collected or is due).
- N The Combined Statement of Cash Receipts, Transfers, and Disbursements--Shows the cash balance at the start of the reporting period, the inflows and outflows of cash during the period, and the balance at the end of the period for each fund. This statement is essential to the maintenance of sound cash management.
- N The Statement of Estimated and Actual Revenue--Compares estimated revenues with actual receipts for the reporting period and year-to-date. This report is an important management tool since it can help county officials identify possible revenue shortages or surpluses early, thus allowing them to be dealt with effectively.
- N Budget/Expenditure Report--Shows expenditures and encumbrances for the reporting period and year-to-date and is compared with the approved budget. This is an important management report which can be used to analyze the rate of spending against the original budget within a specific department. The totals for each department can also be summarized for a report of total county spending against the appropriated budget.
- N Combined Forecast of Cash Position--A statement of the estimated receipts and disbursements for the coming month. For counties with active investment programs, this is a particularly important report since it can be used to estimate the idle cash available for short-term investment.

August 2003

N Comparative Statement of Revenues and Expenses--Should be used for county enterprises. This statement is similar to the typical income statement prepared by most businesses.

COMBINED STATEMENT OF CASH POSITION (DEPOSITS) - ALL FUNDS

As of March 31, 20XX

<u>Fund</u>	<u>Demand Deposits</u>	<u>Time Deposits</u>	<u>Certificates of Deposit</u>	<u>Total on Deposit</u>
General				
Road and Bridge				
Welfare				
Special Revenue				
Debt Service				
Capital Projects				
Permanent				
Enterprise				
Internal Service				
Private-Purpose Trust				
Investment Trust				
Agency	_____	_____	_____	_____
Total All Funds	=====	=====	=====	=====

August 2003

COMBINED STATEMENT OF CASH RECEIPTS,  
TRANSFERS, AND DISBURSEMENTS - ALL FUNDS

For the Month Ended January 31, 20XX

Fund	Balance January 1, 20XX	Receipts	Transfers	Disbursements	Balance January 31, 20XX
General Revenue					
Road and Bridge					
Human Services					
Special Revenue					
Debt Service					
Capital Projects					
Permanent					
Enterprise					
Internal Service					
Trust and Agency					
Total All Funds					<u>XXXXXXXXXXXX</u>

Balance by Depository

Petty cash					
Name of Bank - demand deposits					Balance in all funds equal balance in depositories
Name of Bank - time deposit					
Name of Bank - certificates of deposit					
Total Balance					<u>XXXXXXXXXXXX</u>

August 2003

GENERAL REVENUE FUND  
STATEMENT OF ESTIMATED AND ACTUAL REVENUE

For the Month of June 20XX and the Six Months Ended June 30, 20XX

<u>Source of Revenues</u>	<u>Estimated</u>	<u>This Month Actual</u>	<u>Actual Year to Date</u>	<u>Unreceived Balance</u>
Taxes				
General property taxes - current				
Penalties and interest on delinquent taxes				
Total Taxes				
Intergovernmental revenue				
Federal grants				
State grants				
Total intergovernmental revenue				
Fines and forfeitures				
Fines				
Forfeitures				
Total fines and forfeitures				
Miscellaneous revenue				
Investment earnings				
Other				
Total miscellaneous revenue				
Total Revenues				

August 2003

AUDITOR'S DEPARTMENT  
BUDGET/EXPENDITURE REPORT

For the Month of April 20XX

<u>Objects of Expenditure</u>	<u>Budget</u>	<u>Expended This Month</u>	<u>Expended Year-to-Date</u>	<u>%</u>	<u>Unexpended Balance</u>	<u>Encumbered</u>	<u>%</u>	<u>Balance</u>
Salaries and wages								
Employee benefits								
Telephone								
Postage								
Duplicating								
Travel								
Office supplies	_____	_____	_____	_____	_____	_____	_____	_____
Total	=====	=====	=====	=====	=====	=====	=====	=====

- NOTES:
1. A summary report can be prepared listing all of the departments in the left-hand column with their respective totals.
  2. For those counties using encumbrance accounting, the last two columns should be used. For counties which are not encumbering, it should be recognized that the unexpended balance does not necessarily reflect available budget dollars.

COMBINED FORECAST OF CASH POSITION - ALL FUNDS

For the Month of January 20XX

<u>Fund</u>	<u>Balance January 1, 20XX</u>	<u>Estimated Receipts January</u>	<u>Estimated Disbursements January</u>	<u>Estimated Balance January 31, 20XX</u>
General Revenue				
Road and Bridge				
Welfare				
Debt Service				
Trust and Agency	_____	_____	_____	_____
Total All Funds	=====	=====	=====	=====

COUNTY SURPLUS OFFICE SPACE ENTERPRISE  
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES

For the Months of September 20XX and 20XX and the  
Nine Months Ending September 30, 20XX and 20XX

	September 20XX	September 20XX	<u>Nine Months Ended</u>	
			September 30, 20XX	September 30, 20XX
Operating Revenues				
Rental				
Switchboard service				
Miscellaneous revenue				
Total Operating Revenues	_____	_____	_____	_____
Less				
Operating expenses				
Salaries				
Utilities				
Maintenance				
Total Operating Expenses Before Depreciation	_____	_____	_____	_____
Depreciation				
Total Operating Expenses	_____	_____	_____	_____
Operating Income (Loss)				
Nonoperating revenues/expenses				
Investment earnings				
Intergovernmental revenue				
Interest expense				
Obligation bond expense	_____	_____	_____	_____
Net Income (Loss)	=====	=====	=====	=====

August 2003

SUBJECT:

Financial Statement Publication

PURPOSE:

To provide guidance on the publication of the counties' annual financial statement.

DISCUSSION:

Counties are required by Minnesota statutes to annually publish certain financial information in at least one issue of a duly qualified legal newspaper within their county. Minn. Stat. § 375.17 establishes the requirements for publication of the county's financial statements in the official newspaper of the county. Also, the statute imposes the requirement that a county board make full and accurate statement of financial information in a uniform form and style prescribed by the state auditor. The prescribed form also must be approved by the attorney general and the state printer.

The County has the option of publishing the full statement, which consists of the basic financial statements, and required supplementary information, including the management's discussion and analysis. The sample financial statements are included in Section 4330 of this manual. If the county chooses to publish the full statement, including a schedule of major disbursements, then they would be allowed to not publish a vendor's list, names and amounts of salaries and wages paid to employees, and the names and amounts for persons receiving human services aid.

The county can also choose to publish only summary information. Starting on page 3 of this section is the format for the summary financial information. The summary information includes summary financial detail, most of which can be derived from the county's basic financial statements. Counties opting to publish a summary of their financial statements may publish more information or more detailed information than what is required by the summary example presented in this section. However, any variation from this example must contain all the information that is indicated in this example.

August 2003

MINNESOTA STATUTE:

**375.17 Publication of financial statements.**

Subdivision 1. **Statement contents; summaries.** Annually, not later than the first Tuesday after the first Monday in March, the county board shall make a full and accurate statement of the receipts and expenditures of the preceding year, which shall contain a statement of the assets and liabilities, a summary of receipts, disbursements, and balances of all county funds together with a detailed statement of each fund account, under the form and style prescribed by and on file with the state auditor. The prescribed form and any changes or modifications of it shall so far as practical be uniform for all counties and be approved by the attorney general and the state printer. Annually the board shall publish the statement or a summary of the statement in a form as prescribed by the state auditor, for one issue in a duly qualified legal newspaper in the county.

Subd. 2. **Full statement; publication conditions.** If the board elects to publish the full statement, it may refrain from publishing:

- (1) an itemized account of amounts paid out, to whom and for what purpose to the extent that the published proceedings of the county board contain the information, if all disbursements aggregating \$5,000 or more to any person are set forth in a schedule of major disbursements showing amounts paid out, to whom and for what purpose and are made a part of, and published with, the financial statement;
- (2) the names and amounts of salaries and expenses paid to employees but shall publish the totals of disbursements for salaries and expenses; and
- (3) the names of persons receiving human services aid and the amounts paid to each, but the totals of the disbursements for those purposes must be published.

This subdivision does not apply to a summary published pursuant to subdivision 1.

Subd. 3. **Filing.** In addition to the publication in the newspaper designated by the board as the official newspaper for publication of the financial statement, the statement shall be published in one other newspaper, if one of general circulation is located in a different municipality in the county than the official newspaper. The county board shall call for separate bids for each publication. If a provision of this section is inconsistent with section 393.07, the provisions of that section shall prevail. The financial statement must be filed with the county auditor for public inspection.

**PUBLICATION FORMAT**

**Summary Financial Statement Publication Requirements**

**For Counties In Minnesota In Accordance With**

**Minnesota Statutes § 375.17**

**Issued By:**

**Office of the State Auditor  
Saint Paul, Minnesota**

**June 30, 2003**

August 2003

**Minnesota County Financial Accounting & Reporting Standards**

MINNESOTA COUNTY

SUMMARY FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 20\_\_

The purpose of this Report is to provide a summary of financial information concerning Minnesota County for interested citizens. Questions about this report should be directed to \_\_\_\_\_ (name, title, and telephone number).

*[The following sentence must be printed as a separate paragraph, in boldfaced type and all capital letters.]*

A FULL AND COMPLETE COPY OF THE COUNTY FINANCIAL STATEMENT IS AVAILABLE UPON REQUEST BY CALLING \_\_\_\_\_, OR BY WRITING TO THE \_\_\_\_\_ *[title and mailing address of person to whom correspondence should be addressed]*.

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COUNTY OFFICIALS

*[The summary statement must include a list of all senior officials. At a minimum, the list shall include the names of all county commissioners, and, if applicable, the names of the county administrator/coordinator, the county sheriff, the county auditor, the county treasurer, the county recorder, and the county finance director. With each name shall be printed the title of the individual and a county telephone number where they can be contacted.]*

**A PROFILE OF MINNESOTA COUNTY**

<b><u>Key Indicator</u></b>	<b><u>Total Current</u></b>	<b><u>Total Prior</u></b>	<b><u>Percent Increase (Decrease)</u></b>
Estimated Population	_____	_____	_____
Total Tax Capacity	_____	_____	_____
Percent of Property Taxes Collected	_____	_____	_____
Total General Revenues	_____	_____	_____
Total Program Revenues	_____	_____	_____
Total Expenses			
Governmental activities	_____	_____	_____
Business-type activities	_____	_____	_____
Capital Assets			
Governmental activities	_____	_____	_____
Business-type activities	_____	_____	_____
Total Outstanding Net Bonded Debt of County			
General obligation	_____	_____	_____
Revenue supported	_____	_____	_____
Special assessment	_____	_____	_____
Other debt	_____	_____	_____

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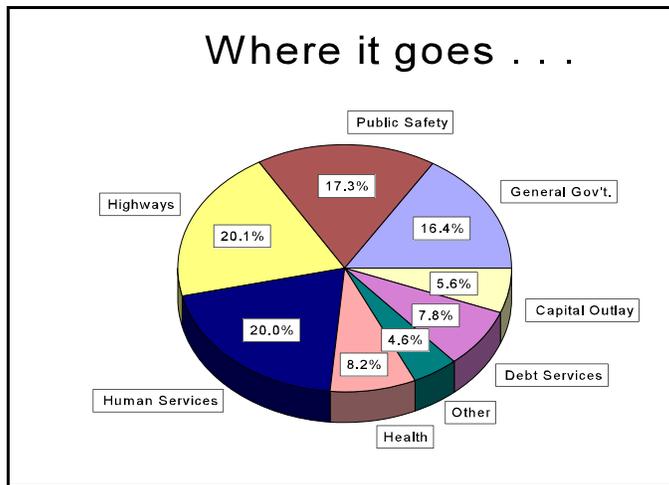
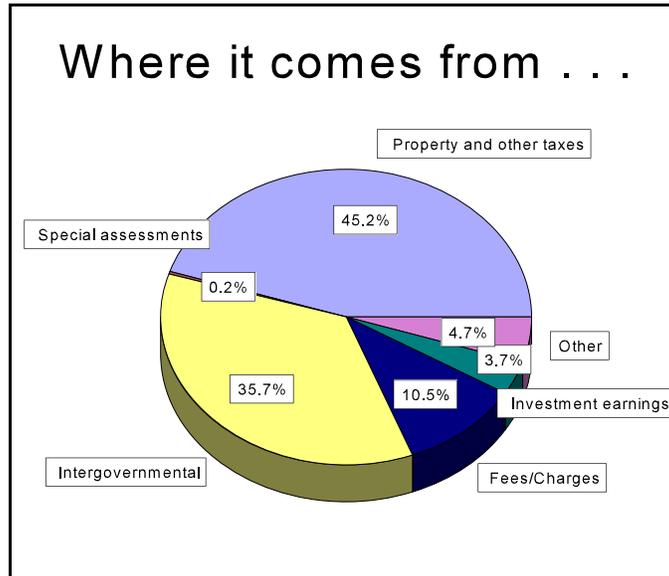
Reporting (Continued)

Bond Rating on Most Recent General Obligation Bond Issue	_____	_____	_____
Total Government-Wide Net Assets			
Governmental activities	_____	_____	_____
Business-type activities	_____	_____	_____
Total Number of Full-Time Employees	_____	_____	_____

Comments of County Board Chair, County Manager, Administrator, Coordinator, or Finance Officer (Optional):

*This space may be used by the county officials to inform the county residents of any event during the past year that may have significantly impacted the county's profile or may have significant long-term implications on the county's profile. This space may also be used to further explain or clarify any significant changes in the county's profile over the past two years.*

### Minnesota County's 200\_\_ Governmental Funds' Finances



*[The graphic must be legible, but does not have to be to the scale shown above. The county may adjust the categories as appropriate. A county may want to eliminate insignificant categories, i.e. less than three percent of the total.]*

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**A User's Guide to County Financial Statements**

The following definitions will help citizens understand the terminology that is used in the county's financial statement. *[A county should eliminate the description of a specific fund type, activity, or part if it is not included in that particular county's financial statement.]*

**Basic Financial Statements**

Minnesota County's basic financial statements consists of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The management's discussion and analysis and certain budgetary comparison schedules<sup>1</sup> are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

**Government-wide financial statements** display information about the county's financial reporting entity as a whole, except for its fiduciary activities. These statements should present separate information for the governmental and business-type activities of the county (primary government), as well as for its component units.

**Fund financial statements** display separate financial information for the county's governmental, proprietary, and fiduciary funds. Information for governmental and enterprise proprietary funds is presented separately for major funds and the aggregate total for non major funds. Internal services and fiduciary fund information is presented in aggregate by fund type.

**Notes to the financial statements** provides additional information and disclosure for information in the financial statements.

**Governmental activities** are generally activities of the county financed through taxes, intergovernmental revenues, and other nonexchange revenues. These activities are usually reported in governmental funds and internal service funds.

**Business-type activities** are county activities financed in whole or in part by fees charged to external parties for goods or service. These activities are usually reported in enterprise funds.

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<sup>1</sup> Adjust accordingly if budgetary comparison schedules included in basic financial statements.

**Financial reporting entity** consists of the primary government (county), organizations for which the county is financially accountable, and other organizations for which the nature and significance of their relationship with the county are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a county's financial reporting entity is the primary government, the county.

**Primary government** is a term used in connection with defining the financial reporting entity. The primary government is the focus of the financial reporting entity. For the county, the primary government represents the financial activities, funds, or accounts directly under the control of the county board.

**Component unit** describes a legally separate organization for which the county board is financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the county are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**County Governmental Fund Types**

The **General Fund** is the general operating fund of the county. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted for specified purposes.

**Debt Service Funds** are used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of general long-term debt.

**Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Permanent Funds** are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs--that is, for the benefit of the government or its citizenry.

**County Proprietary Funds**

**Enterprise Funds** are used to report an activity for which a fee is charged to external users for goods or services.

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**Internal Service Funds** are used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost reimbursement basis.

**County Fiduciary Funds**

**Investment Trust Funds** are used to report governmental external investment pools that are maintained by the county for other entities.

**Private-Purpose Trust Funds** used to report all trust arrangements, other than those properly reported in investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

**Agency Funds** are used to account for assets held by the county as an agent for individuals, private organizations, other governments, and/or other funds; for example, taxes collected and held by a county for a school district.

**Character Classification of County Expenditures**

The county's governmental expenditures are classified by character or the periods expenditures are presumed to benefit. The county has the following character classifications:

**Current** operating expenditures are presumed to benefit the current fiscal period.

**Debt services** are presumed to benefit prior fiscal periods as well as current and future periods and includes amount expended for the payment of principal, interest, and other costs associated with debt.

**Capital outlays** are presumed to benefit current and future fiscal periods and include amounts expended for the construction or acquisition of county capital assets.

**Intergovernmental** represent resources transferred by to the county to other governments.

**Classification of County Functions**

Functions are a group of related activities aimed at accomplishing a major service or regulatory program for which the county is responsible. The county has the following function classifications:

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The **General Government** function include expenditures for general county activities such as *[include all of the following that are applicable]*, the county commissioners, county administration, county attorney's office, county auditor's office, county treasurer's office, county assessor's office, the judicial (excluding the county jail), the planning and zoning office, and other county general service office.

**Public Safety** relates to the objective of protection of persons and property and includes expenditures for corrections activities, operations of the sheriff's department, the county jail, civil defense, and emergency services.

**Highways and Streets** includes expenditures relating to the construction and maintenance of county highways and streets.

**Sanitation** involves expenditures for the removal and disposal of waste and includes county solid waste collection and disposal, recycling, and sanitary sewer programs.

**Human Services** represents activities designed to provide public assistance and institutional care for individuals unable to provide essential needs for themselves. These programs include child support collection, child welfare, chemical dependency, medical assistance, and others.

**Health** involves all activities involved in the conservation and improvement of public health. This function includes expenditures for the county public health department, home health aid services, other nursing services, maternal and child health, supplemental nutrition programs, and programs to protect public and private water systems.

**Culture and Recreation** involves cultural and recreational activities maintained for the benefit of county residents and visitors. These activities include county libraries, parks, and other recreation programs.

**Conservation** involves activities designed to conserve and develop such natural resources as water, soil, and forests and includes such programs as soil and water conservation, county extension, water planning, and other.

**Economic Development** activities are directed toward economically developing the area encompassed by the county and providing assistance to, and opportunity for, economically disadvantaged persons or businesses.

**Summary of Minnesota County's Statement of Net Assets  
December 31, 200\_\_**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>	<u>Component</u> <u>Units</u>
<b>Assets</b>				
Cash and investments	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Receivables	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Other current assets	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Restricted assets	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
<b>Capital assets</b>				
Land	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Infrastructure	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Buildings	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Equipment	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Other assets	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
<b>Total Assets</b>	<u><u>\$ x,xxx,xxx</u></u>	<u><u>\$ x,xxx,xxx</u></u>	<u><u>\$ x,xxx,xxx</u></u>	<u><u>\$ x,xxx,xxx</u></u>
<b>Liabilities</b>				
Payables	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Other current liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Liabilities payable from restricted assets	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Other liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
<b>Long-term liabilities</b>				
Due within one year	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Due in more than one year	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
<b>Total Liabilities</b>	<u><u>\$ x,xxx,xxx</u></u>	<u><u>\$ x,xxx,xxx</u></u>	<u><u>\$ x,xxx,xxx</u></u>	<u><u>\$ x,xxx,xxx</u></u>

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
Net Assets				
Invested in capital assets, net of related debt	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Restricted	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Unrestricted	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
 Total Net Assets	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>

**Summary of Minnesota County's Statement of Activities  
For the Year Ended December 31, 200\_\_**

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net</u>
Functions			
Primary government			
Governmental activities			
General government	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ (xxx,xxx)
Public safety	x,xxx,xxx	x,xxx,xxx	(xxx,xxx)
Highways and streets	x,xxx,xxx	x,xxx,xxx	(xxx,xxx)
Human services	x,xxx,xxx	x,xxx,xxx	(xxx,xxx)
Health	x,xxx,xxx	x,xxx,xxx	(xxx,xxx)
Sanitation	x,xxx,xxx	x,xxx,xxx	(xxx,xxx)
Culture and recreation	x,xxx,xxx	x,xxx,xxx	(xxx,xxx)
Conservation	x,xxx,xxx	x,xxx,xxx	(xxx,xxx)
Economic development	x,xxx,xxx	x,xxx,xxx	(xxx,xxx)
Interest on long-term debt	<u>x,xxx,xxx</u>	<u>-</u>	<u>(xxx,xxx)</u>
 Total governmental activities	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>	 <u>\$ (xxx,xxx)</u>

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net</u>
Functions			
Primary government (Continued)			
Business-type activities			
Landfill	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ (xxx,xxx)
Nursing home	<u>x,xxx,xxx</u>	<u>-</u>	<u>(xxx,xxx)</u>
Total business-type activities	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ (xxx,xxx)</u>
Total primary government	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ (xxx,xxx)</u>
General revenues and other			
Taxes			\$ x,xxx,xxx
Other general revenues			x,xxx,xxx
Special items			<u>x,xxx,xxx</u>
Net change in net assets			<u>\$ x,xxx,xxx</u>
Component Unit			
Housing and redevelopment authority	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ (xxx,xxx)</u>

August 2003

**A Summary Balance Sheet of Governmental Funds  
December 31, 200\_\_**

	Major Funds				Total Governmental Funds
	General Fund	Road and Bridge Fund	Human Service Fund	Nonmajor Funds	
<b>Assets</b>					
Cash and investments	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Receivables					
Taxes	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Special assessments	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Accounts	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Loans	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Due from other funds	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Due from other governments	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Inventories	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
 Total Assets	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>
 <b>Liabilities</b>					
<b>Payables</b>					
Accounts	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Salaries	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Contracts	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Due to other funds	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Due to other governments	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Deferred revenue	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
 Total Liabilities	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>
 <b>Fund balances</b>					
Reserved	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Unreserved	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
 Total Fund Balances	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>
 Total Liabilities and and Fund Balance	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>	 <u>\$ x,xxx,xxx</u>

August 2003

**A Summary of Governmental Funds Revenues and Expenditures  
For the Year Ended December 31, 200\_\_**

	Major Funds				Total Governmental Funds
	General Fund	Road and Bridge Fund	Human Service Fund	Nonmajor Funds	
<b>Revenues</b>					
Taxes	\$ x,xxx,xxx				
Special assessments	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Licenses and permits	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Intergovernmental	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Charges for services	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Fines and forfeits	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Gifts and contributions	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Investment earnings	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Miscellaneous	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
<b>Total Revenues</b>	<b>\$ <u>x,xxx,xxx</u></b>				
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ x,xxx,xxx				
Public safety	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Highways and streets	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Human services	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Health	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Sanitation	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Culture and recreation	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Conservation	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Economic development	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Capital outlay	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
<b>Debt service</b>					
Principal retirement	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Interest and fiscal charges	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Bond issuance costs	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
<b>Total Expenditures</b>	<b>\$ <u>x,xxx,xxx</u></b>				
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ <u>x,xxx,xxx</u></b>				

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	Major Funds				Total Governmental Funds
	General Fund	Road and Bridge Fund	Human Service Fund	Nonmajor Funds	
Other Financing Sources (Uses)					
Transfers in	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Transfers out	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Bonds issued	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Discount on bonds issued	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Other Financing Sources (Uses)	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>
Net Change in Fund Balances	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>

**A Summary of Proprietary Funds Statement of Net Assets  
December 31, 200\_\_**

	Enterprise Funds			Internal Services Funds
	Landfill	Nonmajor Funds	Total	
Assets				
Current				
Cash and investments	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Receivables	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Due from other funds	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Due from other governments	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Other current assets	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Restricted assets				
Cash and investments	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Other restricted assets	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Noncurrent assets				
Capital assets	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Other noncurrent	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Assets	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>

	<u>Enterprise Funds</u>			<u>Internal Services Funds</u>
	<u>Landfill</u>	<u>Nonmajor Funds</u>	<u>Total</u>	
<b>Liabilities</b>				
<b>Current</b>				
Payables	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Due to other funds	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Due to other governments	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Current portion of long-term liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
<b>Payable from restricted assets</b>				
Payables	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Long-term liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
<b>Long-term liabilities</b>				
Bonds payable	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Other long-term	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
<b>Total Liabilities</b>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Restricted	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Unrestricted	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
<b>Total Net Assets</b>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>

**A Summary of Proprietary Funds Statement of Revenues, Expenses,  
and Changes in Net Assets  
For the Year Ended December 31, 200\_\_**

	Enterprise Funds			Internal Services Funds
	Landfill	Nonmajor Funds	Total	
Operating Revenues	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Operating Expenses				
Costs of sales and services	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Administration	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Depreciation	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Total Operating Expenses	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Operating income (loss)	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Nonoperating Revenues (Expenses)				
Intergovernmental	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Investment earnings	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Interest expense	(x,xxx,xxx)	(x,xxx,xxx)	(x,xxx,xxx)	(x,xxx,xxx)
Total Nonoperating Revenues (Expenses)	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Income before contributions and transfers	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Capital contributions	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Transfers in	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Transfers out	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Change in Net Assets	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx

**A Summary of Fiduciary Funds Net Assets and Changes in Net Assets  
As of and for the Year Ended December 31, 200\_\_**

	<u>Investment Trust Funds</u>	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>
Liabilities	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>
Net Assets Held for Others	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>	
Additions to Net Assets			
Contributions	\$ x,xxx,xxx	\$ x,xxx,xxx	
Trust deposits	x,xxx,xxx	x,xxx,xxx	
Investment earnings (net)	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	
Total Additions	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>	
Deductions to Net Assets			
Distributions to members	\$ x,xxx,xxx	\$ x,xxx,xxx	
Trust payments	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	
Total Deductions	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>	
Net Change in Net Assets	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>	

**Major Recipients of Minnesota County Expenditures**

The following is a list of the recipients of Minnesota County expenditures totaling \$5,000 or more during 200\_\_\_. The list does not include salaries paid to county employees nor does it include individuals who received federal, state, or county human services aid.

Name of Recipient	Total Amount Received During 200___
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**Summary Statements  
Explanations and Clarifications  
For Minnesota County's Financial Statements**

*County officials are strongly encouraged to add a section to the summary of the county's financial information that further explains any significant shifts in the county's financial situation over the past two-year period. For example, if the county issued bonds to finance the construction or renovation of a county building, county officials may want to discuss the need for the capital improvement and describe how the sale of the bonds has impacted the county's financial situation. County officials may also want to use this section of the summary to discuss other factors that may impact the county's financial situation, or other issues of interest to county residents. Other factors and issues that county officials may want to address include:*

- S a summary of the condition of the local economy;*

- S economic trends relative to significant industries upon which the local economy may be dependent;*
- S current and future projects upon which the county is focused, including a discussion of the goals and objectives of those projects;*
- S significant accomplishments of county government over the past year; and*
- S reasons for significant changes in revenues or expenditures or budget variances.*

SUBJECT:

Preliminary Budget Preparation

DISCUSSION:

In order to allow county boards to determine the county levy requirements and approve an annual operating budget, it is necessary for the county financial officer to gather and present sufficient fiscal information so that informed decisions can be made.

Most counties have developed an internal procedure for aggregating estimated revenue and expenditure data from each operating department. The degree of formality of this process is often related to the size of a county. However, regardless of the approach utilized by each county, sufficient data should be gathered and analyzed which will ensure the continuing operation of county government without creating fund balances in excess of current needs.

In this process, it is recognized that the actual realization of non-county revenues is, at times, subject to change from the estimates and that these changes are outside of county control. Nevertheless, it is the responsibility of the county financial officer and the county commissioners to develop the best possible levy requirement calculations which will allow the county to function appropriately without placing unnecessary fiscal burdens on its taxpayers.

PROCEDURE:

The preliminary budget process should be conducted with the active participation of all individuals who are responsible for managing operating budgets. This would include department heads and program managers. With their involvement, a county should be able to build a higher level of accountability among its administrators.

Certain information should be prepared prior to commencing the budget process. This includes:

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1. A Budget Timetable

The purpose of the timetable is to make all parties who are involved in the budget process aware of the deadlines that must be met, in each step of the process, so that the county property tax levy can be established and the budget can be reviewed and adopted by the county board within an appropriate time frame.

2. Budget Guidelines

The county financial officer, with guidance from the county board, should develop the budget preparation rules that each department must follow so that the total budget will fall within acceptable predetermined parameters. These usually include guidelines related to:

- Salaries and promotions,
- Operating expenditures/expenses, and
- Capital outlay.

Guidelines should also indicate appropriate justification for:

- New services,
- Capital expenditures, and
- New positions.

3. Budget Preparation Forms

The technical job of preparing the budget should be made as simple as possible for department heads. They can then spend maximum budget preparation effort responding to the needs of their department (within the guideline parameters) and not on routine clerical preparation work.

Well-thought-out budget forms that initially include the historical data needed in the budget process will be very helpful. The County's automated financial systems will often have the capability of producing these budget appropriation forms, with the appropriate historical financial information, as a by-product of the accounting process.

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SUBJECT:

Annual Operating Budget

PURPOSE:

To identify the steps required to prepare an annual operating budget.

DISCUSSION:

An annual operating budget must be prepared and adopted for each fiscal year to authorize and control the financial operations of each county fund. Generally, budgets are prepared on a generally accepted accounting principles (GAAP) basis. However, counties can prepare budgets on a cash, modified accrual, accrual, or some other budgetary basis of accounting. Additional disclosures are required when the budgetary basis is different from GAAP.

A budget is a plan of financial operation which estimates the proposed operating expenditures for the coming fiscal year and the proposed means of financing them. The adopted budget should be integrated with the accounting system of the county to provide a workable system of budgetary accounting and control.

Counties should adopt appropriate budget policies, which would include when the budgets can be modified by management, which funds require budgets, the legal level of control, and which budget modifications require board approval.

COMPONENTS:

The annual operating budget should provide sufficient information so that all interested parties can make informed judgments regarding the financial position and the flow of financial resources of county government. To accomplish this, the annual budget should contain the following:

1. A Recapitulation of the Budget by Fund

This statement would contain the anticipated revenues by source, the anticipated expenditures by major categories, and the resultant fund balances.

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2. Budget Detail by Department or the Legal Level of Control

This would show the portions of the anticipated revenues which have been appropriated to the various departments within the county. This information would be the basic data from which ongoing budget/expenditure reports would be prepared.

3. Budget Amendment Report

A schedule that provides the original adopted budgets for each fund and any approved budget amendments that have changed the budget during the fiscal year. This information is needed for the financial reporting requirements for budgetary presentations.

SUBJECT:

Utilizing the Budget as a Management Tool

PURPOSE:

To discuss an approach to managing the affairs of a county through periodic analysis of expenditures (and encumbrances where appropriate) against budgets.

DISCUSSION:

As counties start utilizing additional dimensions within the Uniform Chart of Accounts, they will have the capability of breaking their budgets down to the respective areas of responsibility within the county. As this occurs, it will allow county management to develop levels of accountability in the following areas:

**N** Fiscal Accountability

This refers to “living within the budget.” Good fiscal management requires an analysis of spending within the respective areas of responsibility to determine whether the rate of spending is “reasonable.” Monthly budget/expenditure reporting will allow fiscal administrators to recommend appropriate action to the county board regarding modifying budgets or reallocating financial resources.

**N** Program Accountability

The departmental or area-of-responsibility budget preparation process can, in time, be combined with statements of measurable accomplishment. While this manual has emphasized the need for good accounting practices, that is not an end in itself. Rather, there must be awareness that the budgeting and accounting system can also serve as a management component to assist county boards in evaluating the level of performance within each area of responsibility within a county.

This accountability serves as the basis for using the budget as a tool for governing. The budget can be used as a tool in a number of ways:

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N Policy Tool

The budget format, presentation, and even wording of a document all influence the making of public policy. A budget that explicitly reveals trade-offs can help ensure the making of policy--rather than the obscuring of policy--is the primary focus.

N Management Tool

A budget is a plan of financial activity for a specified period of time, usually a fiscal year, indicating all planned revenues and expenditures for the budget period. It provides a mechanism to allocate resources. Budgeting helps board members set goals and priorities. Department heads and program managers can use the budget in improving organizational performance.

N Communication Tool

The budget is a means to communicate changes in priorities and the board's rationale for decisions. The budget document and process can be an effective tool for informing citizens the need for change and the reasons behind policy decisions.

SUBJECT:

Annual Summary Budget Publication and Reporting

PURPOSE:

To identify the requirements to publish the annual budget and report to the Office of the State Auditor.

DISCUSSION:

Pursuant to Minn. Stat. § 275.03, counties are required to prepare an itemized budget for the ensuing fiscal year. Once adopted, Minnesota statutes also require some additional reporting requirements for certain summarized budget information. Minn. Stat. § 375.169 requires the publication of summary budget information and Minn. Stat. § 6.745 requires that counties submit summary budget data to the Office of the State Auditor. The following sections further discuss these budget reporting requirements.

PRACTICES:

Budget Statement Publication

Minnesota statutes impose certain publication requirements for each county's legally adopted budget. Minn. Stat. § 375.169, *Publication of Summary Budget Statement*, states the following:

Annually, upon adoption of the county budget, the county board shall cause a summary budget statement to be published in the official newspaper of the county, or if there is none, in a qualified newspaper of general circulation in the county. The statement shall contain information relating to anticipated revenues and expenditures in a form prescribed by the state auditor. The form prescribed shall be designed so that comparisons can be made between the current year and the budget year. A note shall be included that the complete budget is available for public inspection at a designated location within the county.

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The summary budget statement for publication to the public should, at a minimum, include the general and special revenue funds. The county may wish to include budget information for debt service, capital projects, permanent, enterprise, and internal services funds in the summary budget statement for publication. However, information for governmental and proprietary fund types should not be aggregated together.

Each county should include a note on the summary statement that informs the readers that a complete budget is available for public inspection at a designated location within the county. The complete budget, along with supporting documentation, should be held open for public inspection during normal business hours at the county's main office. If feasible, county libraries and other public buildings could also be used as sites for inspection of the adopted budget and supporting documentation. Suggested wording of the public notice to be included with the summary budget statement publication is as follows:

The following summary of the operating budget for the 20xx fiscal year for Minnesota County. This summary is published in accordance with Minn. Stat. § 375.169. The detail of the County budget is on file in the County Auditor's office [or other appropriate office] at the Minnesota County Courthouse, Any City, MN, and may be reviewed during normal business hours (or state other time and place).

Included with this section, as an appendix, is the format for the summary budget statement for publication. The format may change over time, so counties should review the State Auditor's website for the most current version of the publication format.

Reporting Summary Budget Data to the State Auditor

In addition to publication requirements, counties are required by statute to report budgetary data to the Office of the State Auditor. This information helps state policy makers to identify overall trends in county revenue and spending decisions. It also can help county officials compare their own budget trends with the trends of similar counties. Minn. Stat. § 6.745 states the following requirements for reporting budget information to the State Auditor:

**Subd. 2. Counties.** Annually, upon adoption of the county budget, the county board shall forward summary budget information to the office of the state auditor. The summary budget information shall be provided on forms prescribed by the state auditor. The office of the state auditor shall work with representatives of county government to develop a budget reporting form that conforms with county

budgeting practices and provides the necessary summary budget information to the office of the state auditor. The summary budget data must include separately any net unrealized gains or losses from investments. The summary budget data shall be provided to the office of the state auditor no later than December 31 of the year preceding each budget year.

Counties should submit this information on the Office of the State Auditor's *Minnesota County Summary Budget Form*. County officials are asked to summarize their budget data for all governmental funds for which annual budgets are approved by the county board, including the general fund, special revenue funds, debt service funds, capital projects, and permanent funds. Please indicate at the top of the form which funds are included in the summary statement. A list of governmental funds excluded from the summary statement should be attached to the budget reporting form.

In an effort to make this budgetary reporting easier for county officials, counties may now submit the budget information online. County personnel can access the online reporting form by visiting the forms section of the OSA's website. The online reporting is available only through January 31. After January 31, the paper version of the form is used to collect the information. The form and instructions can be downloaded from the website.

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Sample County Summary Budget Statement

COUNTY SUMMARY BUDGET STATEMENT

<u>Budgeted Governmental Funds</u>	<u>Year 1 Current Budget</u>	<u>Year 2 Adopted Budget</u>
Revenues		
County portion of tax levy	_____	_____
State paid portion of tax levy	_____	_____
Total Tax Levy	_____	_____
Licenses and permits	_____	_____
Intergovernmental revenues		
Federal	_____	_____
State	_____	_____
Other	_____	_____
Charges for services	_____	_____
Fines and forfeits	_____	_____
Investment earnings	_____	_____
Contributions and donations	_____	_____
Miscellaneous	_____	_____
Total Revenues	_____	_____
Other Sources		
Bonds and other debt issued	_____	_____
Budgeted use of available fund balances	_____	_____
Transfers in	_____	_____
Total Other Sources	_____	_____
Total Revenues and Other Sources	=====	=====

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SPECIFIC PRACTICES

Budgeting (Continued)

<u>Budgeted Governmental Funds</u>	<u>Year 1 Current Budget</u>	<u>Year 2 Adopted Budget</u>
Expenditures		
General government	_____	_____
Public safety	_____	_____
Highway and streets	_____	_____
Sanitation	_____	_____
Human services (welfare)	_____	_____
Health	_____	_____
Culture and recreation	_____	_____
Conservation	_____	_____
Debt service	_____	_____
Other	_____	_____
Capital outlay	_____	_____
Total Expenditures	_____	_____
Other Uses		
Transfers out	_____	_____
Other	_____	_____
Total Other Uses	_____	_____
Total Expenditures and Other Uses	=====	=====

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SUBJECT:

Petty Cash and Change Fund Accounts

PURPOSE:

To describe a procedure for the creation and management of a petty cash or change fund account.

DISCUSSION:

This specific practice addresses petty cash and change fund accounts, rather than what are often mistakenly called “petty cash and change funds.” Actually, these are general ledger asset accounts which have the function of reimbursing small purchases without the necessity of preparing a voucher check or making change.

The amount of currency in a petty cash account is variable, depending on the authorization of the county board. However, the intent of such an account is for small, irregular transactions. For this reason, they generally should be maintained at the lowest practical level--probably \$100.

The primary advantage of a petty cash account is its flexibility; however, because of this flexibility, special care should be exercised in its creation and maintenance. The county administrators for whom the account is created are directly responsible for monies under their control. The county finance officer should, however, make certain that proper cash handling procedures are known and, to the extent possible, should see that such procedures are followed by all county officials and employees.

A change fund’s sole purpose is for making change for customers doing business with the different county offices. The change fund accounts also are established by the county board. The amount of the account depends on the nature, size, and frequency of transactions within a particular county office. Change fund accounts should not be used for making purchases.

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PROCEDURES:

1. Creating the Petty Cash or Change Fund Account

- a. The county board must authorize each petty cash or change fund account pursuant to the applicable Minnesota statute. Any change in the authorized amount also must be approved by the county board.
- b. Designate a responsible officer, cashier, or specially designated deputy who will be the custodian responsible for the account. This custodian should be independent of invoice processing, check signing, general accounting, and cash receipt functions.

When it is not practical to hire additional personnel or to reallocate duties among existing employees, the county board must establish some mechanism of review that accomplishes the objectives of the segregation of duties. For example, periodic monitoring of cash receipts and/or independent performance of an account reconciliation add controls when complete segregation of duties is not possible.

- c. Issue and turn over a check for the amount authorized to the individual responsible for the account. The custodian should in return give a receipt for the amount to the disbursing agent.
- d. The custodian should place the petty cash or change fund in a secured location.
- e. Notify all employees who might make use of the petty cash account.
  - Describe what type of transaction will be honored,
  - Indicate the maximum amount that will be allowed for any single transaction,
  - Identify the supporting documentation needed for reimbursement, and
  - Describe who must approve transactions.
- f. Whenever an individual's appointment as custodian is terminated, the fund must be replenished and the imprest account turned over to their replacement or other appropriate official.

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2. Disbursements from Petty Cash

- a. Prior to requesting reimbursement for a petty cash purchase, the employee making the request should:
  - Prepare a petty cash voucher (in ink) as evidence of the transaction,
  - Attach an appropriate receipt to the voucher, and
  - Have the transaction approved.
- b. Upon receiving a request for reimbursement from the petty cash account, the petty cash custodian should:
  - Compare the voucher with attached sales receipt and other documentation to ensure accuracy and appropriateness of the disbursement;
  - Check to see that voucher is completed in ink;
  - Verify approval signature;
  - If voucher is satisfactory, pay the approved petty cash amount; and
  - Place petty cash vouchers and documentation in the petty cash drawer.
- c. When cash in the account has been reduced to the point that routine transactions cannot be met, a claim is prepared (see step 4), which itemizes the various disbursements and which is presented to the county board. The county board will act upon this claim as it does other claims and will approve or disapprove replenishment of this account.

3. Control of Petty Cash or Change Accounts

- a. The account should be maintained at a single, secured location and at the lowest reasonable level.
- b. Petty cash should be replenished only after following the verification and approval procedures outlined below.

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Cash Management (Continued)

- c. Under no circumstances should the petty cash account be commingled with personal funds of a county official or employee, nor should they be used to make advances to officials or employees, even if secured by check or other I.O.U.'s. Entities should not cash checks out of (from) cash receipts because this destroys the intactness of deposits.
  - d. Receipts from vending machines and other miscellaneous services should be recorded and deposited like other revenue. These amounts should not be commingled with petty cash. While collections typically will be commingled with change funds, the deposit of these collections must be made intact and the composition of checks and cash must match the mode of payment for those collections.
  - e. Unannounced reconciliations of petty cash or change accounts by independent personnel should be made on a non-regular basis to ensure the integrity of each such account.
4. Replenishing Petty Cash

When petty cash requires replenishment, the custodian of the account should:

- a. Total all petty cash vouchers on adding machine tape.
- b. Add remaining cash and determine if total of cash and vouchers is equal to the total of the petty cash account. If there is a discrepancy, it should be reviewed with the county finance officer for settlement of discrepancies.
- c. Submit the reconciled petty cash report as a reimbursement request to the county board.

Accounting Procedures

- 1. After reimbursement has been approved by the county board, checks should be drawn to replenish each petty cash account.
- 2. The amount of each disbursement should be recorded as a normal cash disbursement to the appropriate account.

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3. No additional entry is required to the petty cash account after its creation, except if it is to be increased, decreased, or closed.
4. The county board or finance officer should make sure the authorized amounts for petty cash and change accounts are included in the general ledger and related balance sheet in the appropriate fund.
5. Petty cash should always be replenished at the end of the fiscal year so that expenses will be reflected in the proper accounting period.

APPLICABLE MINNESOTA STATUTES:

**§ 375.162 Imprest cash funds.**

**Subdivision 1. Procedure.** The county board may establish one or more imprest funds for the payment in cash of any proper claim against the county which it is impractical to pay in any other manner. No claim for salary or personal expenses of a county officer or employee shall be paid from an imprest fund. The county board shall appoint a custodian of each imprest fund who shall be responsible for its safekeeping and disbursement according to law. Money for the operation of an imprest fund shall be secured by a warrant issued on the general revenue fund. A claim itemizing all the various demands for which disbursements have been made from the fund shall be presented to the county board at the next county board meeting after the month in which the disbursements have been made. The county board shall act upon it as in the case of other claims and a warrant shall be issued to the custodian for the amount allowed. The custodian shall use the proceeds of the warrant to replenish the fund, and if the county board fails to approve the claim in full for any sufficient reason, the custodian shall be personally responsible for the difference.

**Subd. 2. For travel.** The county board may authorize an imprest fund for the purpose of advancing money to officers or employees to pay their actual and necessary expenses in attending meetings outside the county or for other travel that is related to the performance of their job duties. The county board shall appoint a custodian of the fund who shall be responsible for its safekeeping and disbursement according to law. Attendance at meetings and other travel outside the county shall be authorized in advance by the county board. At a meeting of the county board in the month after approved travel outside the county, the officer or employee shall submit an itemized claim for the actual and necessary expenses incurred and paid related to the approved travel. The county board shall act upon it as in the case of other claims and a warrant shall be issued to the officer or employee for the amount allowed. The officer or employee shall use the proceeds of the warrant to repay the amount advanced from the fund. If the amount approved by the county board is insufficient to repay the advance, the officer or employee shall be personally responsible for the difference.

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**§ 375.45 Change funds, establishment.**

The county board shall establish funds in the county offices and departments as it deems necessary for the purpose of making change only. The change funds shall be established by making an appropriation for them from the proper fund in whatever amounts the county board shall determine. The officer receiving a change fund shall be its custodian and responsible for its safekeeping and use. The change fund shall not be used to make payments of expenses provided for in section 375.16.

SUBJECT:

Bank Account Reconciliation

PURPOSE:

To verify that the actual cash balance on deposit with financial institutions, including checking and savings accounts, agrees to the accounting records.

OVERVIEW:

County checking and savings accounts are principal financial resources used in daily financial operations. Most county transactions occur within these accounts and generally on a daily basis. It is important that the county compare the transactions and amounts that the financial institution has recorded in the checking and savings accounts with what the county has recorded in the county's books and records. The process of comparing these amounts is referred to as a bank reconciliation. Differences between the amounts usually occur due to timing. Generally, there can be delays between when a county transaction that is recorded in its accounts and when the transaction "clears" the bank account. "Clears" means the transaction has been recognized and recorded by the bank. Because errors may occur (some due to mistakes in recording and others made by the financial institution), prompt monthly reconciliations between the accounts (bank statements) and the books/accounts maintained by the county are necessary. The reconciliation can determine whether errors have occurred or if the differences are normal uncleared/outstanding items. If errors are found, they should be investigated and corrected without delay before monthly statements of operations are prepared.

To ensure internal control and segregation of duties, the task of reconciling should be assigned to someone not responsible for writing, recording, or signing checks. The unopened account statement and all supporting documentation should be received by the person reconciling the account. After the completion of reconciliation, it should be approved by the appropriate official, such as the finance officer or auditor-treasurer. Many financial institutions provide different account reconciliation services, which could lessen the burden on staff; however, the work provided still should be reviewed by county staff. In counties where there is limited staff and adequate segregation of duties is a concern, senior management or board members should review the bank reconciliation as a means of mitigating this internal control weakness.

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The financial institution **must** return all redeemed canceled checks to the county. The county should retain these documents for six years after the year they originated. The reasons for receiving the canceled checks are:

- C It is an important internal control. County staff could detect many fraudulent disbursements by reviewing the front and back of all redeemed checks.
- C As an original document, the checks are an integral part of the audit trail for disbursement transactions. It is important for both appropriate county staff and external auditors to have access to original source documents.

PROCEDURES:

The following are the steps involved in reconciling a bank account:

1. Compare canceled checks, electronic funds transfers, debit memos, and credit memos with corresponding entries on the bank statement.
2. Compare deposits recorded by the bank with deposits entered in the county books and evidenced by bank deposit slips.
3. Sort checks in numerical sequence and sort other items in date sequence. It can be useful to separate returned checks between those issued in the current month from those issued previous to the current month.
4. List any deposits recorded in the county books that were not included on the bank statement. (Most often these occur with deposits made at the end of the month and are known as “deposits in transit.”)
5. Note on the previous month’s reconciliation any canceled checks returned with the current statement and compare check numbers, amounts, and endorsements. These checks should be on the outstanding check list of the previous month’s reconciliation.
6. Compare payee name, endorsement, check number, and amount with the check register or disbursements journal for the checks issued during the current month. Note all items in the register and investigate any discrepancies. (In addition to errors, this is a means of identifying fraudulent or altered checks.)

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7. Determine that all returned checks, debit memos, and service charges are entered in the disbursements journal.
8. List the outstanding (uncleared) checks at the end of the month:
  - a. First, list the checks issued from the prior month's reconciliation that have still not cleared the bank account.
  - b. Then, list checks issued during the current month that are shown to be outstanding in the check register or other record.
9. Prepare a bank reconciliation form and determine if county books balance to the bank statement.
  - a. Name of bank,
  - b. Account number,
  - c. Date of bank statement,
  - d. Ending balance as shown by bank statement,
  - e. Date and amount of each deposit not recorded by bank,
  - f. Explanation and amount of any errors made by bank which will increase the balance,
  - g. Subtotal of amounts listed above, and
  - h. Outstanding checks at end of period as shown by list developed in Step 10 below.
10. Explain any errors by the bank which will decrease the balance.

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11. If the balances do not agree, an error has been made in one of three ways:
  - a. A mistake in the process of reconciling the balances,
  - b. An incorrect entry by the county, or
  - c. An incorrect entry by the bank.

Re-check all work step by step. Find the errors, if any, and correct them. Often, errors by the financial institution are found and corrected. This should result in offsetting entries on the bank statement, and these items should be matched. If no errors were made in the reconciliation process, review all entries by the bank and on county books for discrepancies. Note the discrepancies for action by the finance officer on a separate page and attach it to the reconciliation form.

12. Enter the name of person who reconciled the account and the date completed on the bottom of the form.
13. Forward the reconciliation and bank statement (along with canceled checks, deposit slips, and any notes on errors) to the finance officer for review and action.
14. Advise the finance officer of any needed corrections.
15. The finance officer should approve the reconciliation form and file it in a secure place.
16. After the monthly reconciliation is complete, determine if any checks outstanding over a month have been outstanding long enough to be subject to escheat (unclaimed property) law (reversion of unclaimed amounts to the county).
17. Prepare a list of checks subject to escheat and advise claimants (based on county policy) and, if possible, of the potential reversion of the amount.
18. After the appropriate procedure or time period, and at the direction of the finance officer, notify the bank and follow the requirements of the unclaimed property laws.

Often, the bank reconciliation can be performed using the computer system. In these cases, some of the above steps can be made using the computer, such as identifying cleared and uncleared items. The calculations and reports can then be done by the computer.

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SUBJECT:

Monitoring Cash Balances

PURPOSE:

To provide a regular means of monitoring cash balances in each official depository and identifying how to optimize this resource.

OVERVIEW:

Because county receipts seldom correspond to disbursements which must be made, there may at times be large amounts of idle funds, while at other times there may scarcely be enough funds to cover current needs. For these reasons, all counties will find it useful to monitor balances in county depositories and plan for regular investment of idle funds. With online banking and computers, the ability to monitor cash balances has greatly improved. The practice of monitoring cash balances should become a regular procedure done even daily if balances change significantly. The following procedures provide examples of how this process can be accomplished routinely.

For smaller counties, a cash balance report should be prepared weekly. In larger counties, where there is a high volume of transactions, a daily cash balance report with the same general format may be desirable. When daily cash balances are abnormally high, smaller counties may elect to complete the report daily to quickly know what balances are available for immediate investment.

PROCEDURES:

Determining Cash Balances

1. Assemble the following information:
  - a. Book balances by bank,
  - b. Total deposits since the previous report, and
  - c. Total checks issued since the previous report.

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2. Compute new cash balances for each depository:
  - a. Enter the previous day's closing balance for each fund and for the bank in total;
  - b. Enter all deposits made since compiling the previous report;
  - c. Enter any other adjustments which might increase cash in accounts and subtotal all items 2a to 2c;
  - d. Enter the total amount for all checks issued since compiling the last report;
  - e. Enter any other adjustments which might decrease bank cash;
  - f. Deduct the amounts computed in 2d and 2e from the subtotal derived in 2c;
  - g. Compute the amount in bank time deposits for each fund; and
  - h. Compute the balance for the bank.
3. Repeat this procedure on a daily or weekly basis.

DISCUSSION:Investing Cash Balances

All idle county funds not needed in the immediate future (even one day away) can be invested to increase county revenues at minimum cost or risk. In the larger counties, hundreds of dollars can probably be earned each day; in smaller counties, investing the large periodic tax receipts each day can provide the same level of earnings.<sup>1</sup> In Minnesota, qualified investments are established by Minn. Stat. §§ 118A.04 and 118A.05, and include time deposits, U.S. and U.S. agency securities, repurchase agreements, certain state and local government securities, certain types of mutual funds whose only investments are in securities described above, in any securities which are a general obligation of the State of Minnesota or any of its municipalities, or in commercial paper issued by United States corporations, or their Canadian subsidiaries that is of the

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<sup>1</sup>At a simple interest rate of four percent, a \$100,000 certificate of deposit generates nearly \$11 each day.

highest quality and mature in 270 days or less. This is only a partial list of legal investments and, when investing, the county should review the requirements of Minn. Stat. ch. 118A.

To make adequate use of idle cash, an accurate forecast of all cash sources and cash requirements should be prepared and closely monitored. Key elements include a historical revenue and expense analysis (a total cash flow forecast) and other forecasted large and smaller receipts or disbursements: other maturing investments, sale of county assets, receipt of state and federal funds, or payrolls, debt retirement, and knowledge of upcoming other unusually large payments.

A great deal of current literature on local government finance exists. Many fine cash management systems have been described. They enable finance officers to plan cash requirements, monitor available funds and investments, and properly staff the function at minimum cost.

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SUBJECT:

Electronic Funds Transfer

PURPOSE:

To provide guidance on establishing policies to control and monitor electronic funds transfers.

OVERVIEW:

The electronic funds transfer (EFT) is the deposit to or disbursement from a financial institution account by means of wire or other electronic communication. Minn. Stat. § 385.071 governs the circumstances under which electronic funds transfers may be used. The statute states the following:

Electronic funds transfer is the process of value exchange via mechanical means without the use of checks, drafts, or similar negotiable instruments. Notwithstanding any other law to the contrary, a county may make electronic funds transfers for investment purposes and for all county expenditures. The county board shall establish policies and procedures for investment and expenditure transactions via electronic funds transfer.

We prescribe the following accounting procedures:

1. Receiving money by EFT:
  - a. Prepare a treasurer's receipt upon receiving notice from the payor that the funds have been transferred to your financial account. The county should not wait for the financial institution to notify you of receipt of the funds. However, you may want to contact your financial institution to confirm the expected funds have arrived.

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Enter the following information on the receipt:

- c Date of receipt
  - c Name of person, company, or agency transferring money into your account.
  - c Name and number of fund(s).
  - c COFARS account number.
  - c Notation that funds were received by EFT.
- b. A file must be maintained of those payors who have agreed in writing to receipt funds to your account electronically.
2. Disbursing money by EFT:
- a. Prepare a record which shows:
    - c Chronological number of the EFT payment.
    - c Time and date of disbursement.
    - c Payee - name, address, and account number.
    - c Amount of disbursement.
    - c Purpose of disbursement.
    - c COFARS account number.
    - c Name and number of fund(s).

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- c. Disbursing bank's unique transaction identification number, if available.
  - c. Receiving bank or financial institution's identification number.
- b. A file must be maintained of authorizations signed by payees who have thereby agreed to have funds disbursed to their accounts electronically.
- c. The treasurer should notify the disbursing bank that access to files, records, and documentation of all EFT transactions involving tile treasurer should be provided to the State Auditor when required for the conduct of the statutory post audit.

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SUBJECT:

Use of Credit Cards

PURPOSE:

To provide guidance on establishing policies to control and monitor the use of credit cards.

DISCUSSION:

Minn. Stat. § 375.171 authorizes counties to make purchases with credit cards. The law also places restrictions on the use of the credit cards. The statute states the following:

A county board may authorize the use of a credit card by any county officer or employee otherwise authorized to make a purchase on behalf of the county. If a county officer or employee makes a purchase by credit card that is not approved by the county board, the officer or employee is personally liable for the amount of the purchase. A purchase by credit card must otherwise comply with all statutes, rules, or county policy applicable to county purchases.

As noted above, the statute both authorizes the use and places restrictions on how credit cards may be used. The use of a credit is restricted to purchases for the county. Pursuant to the language of the statute, county credit cards should be used only by those employees and officers of the county otherwise authorized to make county purchases.

Since use of the credit card is restricted to purchases for the county, no personal use is permitted. The statute further provides that if officers and employees make purchases for the county that are not authorized by the county board, they become personally liable for the amount of the purchase.

Minn. Stat. § 375.171 further requires that the use of a credit card must be consistent with other state law. For example, Minn. Stat. § 471.38 requires that claims presented for payment be in writing and itemized. Bills received from a credit card company lack sufficient detail to comply with these statutory sections. Therefore, counties must also have the invoices and receipts, from the actual purchases, needed to support the items charged in the bill from the credit card company.

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In addition to the requirements of Minn. Stat. § 471.38, Minn. Stat. § 375.12 requires publication of county board minutes, including claims allowed by the board. Considered together, these statutes require counties to publish a list of payments to those vendors providing goods and services to the county. Listing only the credit card company would merely identify the method of payment. It would not identify the vendors providing goods and services to the county. Therefore, it is the Office of the State Auditor's position that if a county published only the identity of the credit card company rather than the vendors, the county would not be in compliance with Minn. Stat. §§ 375.12 and 471.38.

Further, the use of credit cards would require the county to act in compliance with Minnesota chapter 475. This statutory chapter governs the issuance of debt by public entities and a number of restrictions attached to the issuance of any obligation. Minn. Stat. § 375.171 is not intended to be another method of creating debt for the county, but rather authorizes another type of payment method. Therefore, it is incumbent on counties to adopt a policy of paying the total amount of credit card charges on the monthly credit card bill. The statute does not authorize the creation of a new form of debt for the counties.

PRACTICES:

A comprehensive credit card use policy should be adopted that implements statutory requirements, good management practices, and internal controls. A comprehensive policy should:

- C Identify the employees and officers who are authorized to make purchases on behalf of the county and are eligible to use the card,
- C Identify the particular purchases that are to be made with the credit card,
- C Set up a review process for all purchases made with the credit card,
- C Prohibit the use of a county credit card for personal purchases,
- C Require supporting documentation for each purchase made, and
- C Inform the users of the credit cards of these policy requirements.

The county also should restrict the total amount of charges that can be made on the county credit cards. This will help limit the county's exposure to theft or other improper use of the county credit card.

The ability to use a credit card for small purchases in the ordinary course of business may be advantageous to the county. However, the ability of a card holder to make the county liable for an improper or illegal purchase is an inherent risk associated with the use of credit cards. Compliance with the requirements of the statute and the adoption and adherence to a policy implementing further internal controls will greatly reduce the county's exposure to loss of public funds through theft or misuse of a county credit card.

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**SECTION 5000**

**UNIFORM CHART OF ACCOUNTS**

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**UNIFORM CHART OF ACCOUNTS**

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Overview

The following sections of this procedures manual illustrate the various chart of accounts dimensions and the coding scheme ranges for each dimension.

This section explains how the dimensions relate to each other in a logical, hierarchical sequence. This arrangement allows counties to prepare budgets, account for, and retrieve fiscal information at varying levels, as appropriate to each county.

This chart of accounts approach allows for the use of manual accounting systems to start with the basic standard accounting dimensions and maintain subsidiary ledgers for other levels of information and reporting purposes as those needs occur.

However, all counties are using automated accounting systems, which also allows the counties to utilize the program and services dimensions (Section 6000), where budgeting for areas within a department would be useful for management, accountability, and state reporting.

The basic chart of accounts includes those dimensions presently being used by all counties. These are: assets, liabilities, fund balances/net assets, revenues, and expenditures.

The basic chart of accounts numbering scheme is as follows:

	<u>Fund</u>	<u>Department</u>	<u>Transaction Code</u>	<u>Object</u>
Assets	XX	XXX	1	XXX
Liabilities and Fund				
Balances	XX	XXX	2	XXX
Net Assets	XX	XXX	3	XXX
Revenues	XX	XXX	5	XXX
Expenditures	XX	XXX	6	XXX

This numbering scheme is similar to coding schemes already used in Minnesota counties. However, more counties are moving towards a more expanded coding scheme. In the Human Services area, with the large number of programs and activities that are needed for reporting to the state, additional digits are added to include the program and service dimensions for their specific use. These additional dimensions have been provided in Section 6000 which can be tailored to fit management and reporting needs as they relate to any particular fund.

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If these additional dimensions are used, the structure becomes:

	<u>Fund</u>	<u>Department</u>	<u>Program</u>	<u>Service</u>	<u>Transaction Code</u>	<u>Object</u>
Assets	XX	XXX	XXX	XXXX	1	XXXX
Liabilities and Fund						
Balances	XX	XXX	XXX	XXXX	2	XXXX
Net Assets	XX	XXX	XXX	XXXX	3	XXXX
Revenues	XX	XXX	XXX	XXXX	5	XXXX
Expenditures	XX	XXX	XXX	XXXX	6	XXXX

By utilizing this approach, an array of mutually exclusive code numbers has been developed. Each array of numbers has components which make it unique and applicable only to a specific area within a county.

For example, the following four entries which are all related to clerical salaries may be required:

	<u>Fund</u>	<u>Department</u>	<u>Object</u>
Entry 1	General	Auditor	Clerical Salaries
Entry 2	General	District Court	Clerical Salaries
Entry 3	Road and Bridge	Highway Administration	Clerical Salaries
Entry 4	Human Services	Income Maintenance	Clerical Salaries

Three funds are represented, and two of the entries are in the general revenue fund. Each array of the unique nine-digit account number makes up the “fund<sup>1</sup>-department-object” entry and explains exactly where the entry came from. For example, depending on the specific department and expenditure numbers developed by a county, the nine digits would look like the following:

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<sup>1</sup>In this example, fund numbers 03 and 05 are used for the Road and Bridge and Human Services Special Revenue Funds; however, the use of these specific numbers is not required.

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	Fund	Department	Object
Entry 1	01	040	6113
Entry 2	01	014	6113
Entry 3	03	301	6113
Entry 4	05	410	6113

The advantage of utilizing this approach (especially when a county's financial records are automated) is simplified reporting. For example, the following types of information can readily be reported:

- N Clerical salaries for the county,
- N Clerical salaries for each fund, and
- N Clerical salaries by department.

As additional dimensions (program and service) are added, counties can prepare budgets and retrieve financial data on an organizational level that relates directly to the specific services provided by the county. These are explained in more detail in Section 6000.

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OVERVIEW:

Included in this section of the Uniform Chart of Accounts is a listing of separate, self-balancing fund categories. Separate funds are to be used when required by statute or may be used when necessary for carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The ability to create many funds, however, does not mean that a county should set up separate funds every time special or restricted activities occur. The Governmental Accounting Standards Board principles state the following regarding the number of funds:

Governmental units should establish and maintain those funds required by law and sound financial administration. Only the *minimum number of funds* [*emphasis added*] consistent with legal and operating requirements should be established, however, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration. [NCGAS<sup>1</sup> 1, ¶29]

As a general approach, counties should minimize the number of funds they are using. Their ability to achieve this objective depends on how extensively the other accounting dimensions presented in this manual are used. Some fund categories may not be needed if a county is not engaged in the activities described by the fund category.

Several acceptable alternative accounting practices can be used in order to minimize the number of funds used by a county. Dedicated cash accounts can be set up to account for restricted cash. Another approach might use separate departments, programs, or services to account for special or restricted activities.

DEFINITIONS:

A fund is defined by generally accepted accounting principles as a fiscal and accounting entity with a self-balancing set of accounts: assets, liabilities, fund residual equities or balances, revenues, and expenditures/expenses. An expanded definition appears in Section 3220, Fund Accounting. Funds are properly segregated when the accounts are separated so the resources of one fund are not used to meet the obligations of another fund without proper authorization and recording of the interfund transactions.

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<sup>1</sup> National Council on Governmental Accounting Statement 1.

Funds for governmental accounting are grouped into the following three categories:

1. Governmental Funds are those through which most county functions and activities are typically financed. The recognized fund types within the governmental fund category are:
  - General
  - Special Revenue
  - Capital Projects
  - Debt Service
  - Permanent
2. Proprietary Funds are used to account for a county's ongoing activities which are financed through fees or charges rather than direct appropriations.

There are two categories of proprietary funds:

- Enterprise Funds--These funds are similar to a private business enterprise relying on fees from the public for its operations (for example, a county golf course or landfill).
  - Internal Service Funds--This fund category is used to account for the financing of goods and services provided by one department of a county to other departments of a county on a cost-reimbursement basis (for example, a data processing department might be set up as an internal service fund).
3. Fiduciary Funds--These funds include all of the trust and agency funds within a county that do not support the activities of the county. This fund category is used to account for assets held by a county in a trustee capacity or as an agent for individuals, private organizations, governmental units, and other funds.

NUMBERING SCHEME:

Two digits have been used to code the fund category. This allows a county to maintain 99 funds, which is many more than normally recommended.

The recommended code numbers for each fund category are:

General Fund	01
Special Revenue Funds	02-29
Debt Service Funds	30-36
Capital Project Funds	37-44
Permanent Funds	45-49
Enterprise Funds	50-59
Internal Service Funds	60-69
Trust and Agency Funds	70-89
Discretely Presented Component Units	90-95

While account groups are no longer used for capital assets or long-term debt, separate fund accounts (numbers) may be used as control accounts for these long-term activities.

Capital Assets	98
Long-Term Debt	99

GOVERNMENTAL FUND TYPES:

GENERAL FUND

This fund category includes the general or county revenue fund.

General Fund

Every county will have a general fund, which is used to account for all financial transactions not properly accounted for in any other fund. The principal budgets of most county departments are prepared and administered from this fund.

SPECIAL REVENUE FUNDS

This fund type is used to account for revenues (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specific purposes.

Many counties have set up separate funds within the special revenue fund category to account for each type of special revenue. Counties should consider reducing the number of funds by using the department, program, or service dimensions to account for special revenues and their related expenditures. The road and bridge (highway) fund and human services fund are a part of this fund group. Other common special revenue funds for counties are: ditch, library, and parks.

Road and Bridge (Highway) Fund

This fund contains a self-balancing group of accounts which are to be used to record revenues from all sources to be expended for county road and bridge functions through a budgetary process approved by the county board of commissioners.

Human Services Fund

This fund contains a self-balancing group of accounts which are to be used to account for revenues from all sources which are to be expended for designated human service functions through a budgeting process approved by an appropriately designated county board.

DEBT SERVICE FUNDS

This fund category should be used to account for the revenue used to retire general long-term debt and interest. Matured bond and interest coupons which have not been presented for redemption should be recorded as a liability of the debt service fund to be paid from the cash set aside for that purpose. Although each individual bond issue requires semi-annual interest and annual serial bond retirement, a minimum number of debt service funds--only one, if legally possible--should be maintained to account for all general obligation debt service transactions.

CAPITAL PROJECT FUNDS

Capital project funds are used to account for financial resources, often proceeds of bond issues, used for large construction projects other than those financed by proprietary funds. Capital improvement authorizations are not limited to a single fiscal year but continue until the projects are completed. Any unexpended amounts after project completion should be transferred to the fund from which the debt will be retired.

PERMANENT FUNDS

These funds are used to account for resources that are legally restricted so only earnings, not any principal, may be used to support the activities of the county.

PROPRIETARY FUND TYPES:

ENTERPRISE FUNDS

These funds are used to account for self-supporting enterprises which render service primarily to the public and are financed from external user charges. The service charges or fees should produce sufficient revenue to cover all operating costs. An enterprise fund is also required for any activity whose principal revenue sources meet any of the following criteria:

- " Debt backed solely by fees and charges. An enterprise fund must be used to account for an activity if outstanding debt related to that activity is solely backed by user fees and charges.
- " Legal requirement to recover cost. An enterprise fund must be used if the cost of providing services for an activity (including capital costs such as depreciation and interest expense) must legally be recovered through fees or charges.
- " Policy decision to recover cost. An enterprise fund would be used if the county's policy is to establish activity fees or charges designed to recover the cost of providing the services (including capital costs such as depreciation and interest expense).

The capital assets owned by the enterprise should be capitalized in the enterprise general ledger asset accounts (rather than with general capital assets), and their costs should be allocated to expense through annual depreciation charges.

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The enterprise accounting system makes it possible to determine the profit or loss from operations and the extent to which it is being operated as a self-supporting entity. Some typical enterprise funds for counties are: nursing homes, nursing services, landfill operations, and hospitals.

INTERNAL SERVICE FUNDS

These funds are established to finance and account for services and commodities furnished by a designated department or agency to other departments and agencies or other governmental units on a cost-reimbursement basis. The most typical activity accounted for in internal service funds is self-insurance.

FIDUCIARY FUND TYPES:

PRIVATE-PURPOSE TRUST FUNDS

These funds account for cash and other resources received by the county pursuant to a trust agreement under which principal and/or income benefit individuals, private organizations, or other governments.

PENSION (AND OTHER EMPLOYEE BENEFIT TRUST FUNDS)

These funds should be used to report resources required to be held in trust for the members and beneficiaries of pension and other employee benefit plans. One activity that Minnesota counties would account for in this fund type is in situations where a county is the actual administrator of a 457 deferred compensation plan. However, no counties are currently administering this activity.

INVESTMENT TRUST FUNDS

These funds are used to account for the investing activity performed by the county for funds held for other entities.

AGENCY FUNDS

These funds are used to account for funds of others (including individuals, private organizations, and other governments) in a purely custodial capacity, generally on a temporary basis.

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OVERVIEW:

The department dimension is the second level of budgeting and accounting within a fund. This section of the Uniform Chart of Accounts includes a listing of commonly used departments within a county and the suggested numbering parameters to be used for the related departments.

Many counties have different departmental structures. Also, many use different departmental names for the same activity. In some cases, some of the departments listed in this section are divisions of departments. All counties use the department dimension to budget and account for expenditures within their respective counties. Counties who have chosen to utilize additional dimensions can use this dimension for the major responsibility centers within a county and use the “program” and “service” dimensions to break out subordinate areas within the major responsibility centers.

GENERAL GOVERNMENT DEPARTMENTS:

Account  
Number

001-009

Legislative

Board of Commissioners

010-029

Judicial

Courts Administration

Conciliation Court

Family Court

Juvenile Court

Guardian ad Litem

Probate Court

Traffic Court

Other Courts

Grand Jury

Public Defender

Law Library

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Departments (Organizational Units) (Continued)

Law Clerk

Account  
Number

030-039

Executive

County Administrator  
County Coordinator  
Executive Secretary  
County Manager  
Other County Administration

040-059

Financial Administration

Auditor  
Auditor-Treasurer  
Treasurer  
Internal Auditing  
Finance/Accounting  
External Auditing and Accounting Services  
Budgeting  
Purchasing

060-089

General Administration

Human Resources/Personnel/Affirmative Action Officer  
Data Processing/Information Technology  
Central Duplicating  
Central Services  
Elections  
Risk Management/Insurance  
Public Information

090-099

Legal

County Attorney  
Contracted Legal Services

August 2003

Other Legal

Account  
Number

100-109

Property Records and Control

Assessor  
Recorder  
Surveyor  
Planning and Zoning  
Geographic Information Systems (GIS)  
Land Records

110-119

Buildings and Plant

Courthouse Operations  
Facilities Management/Physical Plant  
Maintenance  
Telecommunications  
Fairground's Buildings  
Other Buildings

120-149

Other General Government

License Bureau/Motor Vehicle  
Veterans Services  
Vital Statistics

PUBLIC SAFETY:

200-249

Public Safety

Sheriff  
Criminal Investigation  
Boat and Water Safety  
Law Enforcement  
Coroner

August 2003

Account  
Number

250-279      Community Corrections

- County Jail
- Juvenile Facilities
- Probation and Parole
- Court Services
- Jail Canteen
- Victim Assistance
- Sentence to Serve
- Restitution

280-299      Emergency Services

- Civil Defense
- Flood Control
- E-911
- Emergency Medical Services
- Ambulance
- Weather Radio

PUBLIC WORKS:

300-389      Highway

- Highway Administration
- Engineering
- Highway Maintenance
- Highway Construction
- Equipment Maintenance
- Traffic Control
- Other

Account  
Number

390-399

Sanitation

Waste Collection  
Waste Disposal  
Sewage Collection and Disposal  
Waste Management  
Recycling  
Composting  
Waste Treatment  
Environmental Monitoring  
Household Hazardous Waste  
Waste to Energy

HUMAN SERVICES:

400-479

Human Services and Welfare

General Administration  
Income Maintenance  
Individual and Family Social Services

HEALTH:

480-489

Health

Community Health  
Nursing Services  
Maternal and Child Health  
Health Centers  
Mental Health Administration  
Women, Infants and Children

August 2003

CULTURE AND RECREATION:

Account  
Number

500-519      Cultural  
  
Library  
Museum  
Historical Society  
Auditorium  
Community Center  
Senior Citizens

520-599      Recreation  
  
Parks Administration  
Parks and Recreation  
Recreational Facilities

CONSERVATION:

600-699      Agricultural and Natural Resources  
  
County Agricultural Society  
County Extension Service  
Soil and Water Conservation District  
County Watershed District  
Agricultural Inspection  
County Forester  
Land Use and Management  
Water Planning  
Drainage  
Resource Conservation and Development

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ECONOMIC DEVELOPMENT:

Account  
Number

700-799      Economic Development and Opportunity

Economic Development

Economic Development Authority  
Redevelopment  
Public Housing  
Housing Redevelopment Authority

Economic Opportunity

Job Training  
Job Programs  
Workforce

OTHER NON-DEPARTMENTAL:

800-899      Miscellaneous and Non-Departmental

Debt Service--this would include principal payments, interest, paying agent fees, additional escrow payments, and debt issuance costs  
Intergovernmental (identify by function)  
Capital Outlay (identify by function)  
Suspense (temporary holding account)

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OVERVIEW:

General ledger accounts include the balance sheet/statement of net assets accounts (assets, liabilities, and fund balances and net assets) and the budgetary/operating accounts (revenues and expenditures/expenses). Whether or not certain accounts are applicable is dependent on the measurement focus of the fund type and/or government-wide presentation. Governmental funds with their current spending resources focus tend to present current assets and liabilities, while proprietary, fiduciary, and government-wide presentations are on full accrual and include all economic resources.

Within each of the sections we have included major categories (e.g., under current assets, we have included categories such as cash, investments, and taxes receivable). These major categories are mandatory for use by all counties. However, the accounts within each category can be utilized at the option of each county to serve its own accounting requirements.

For example, we have assigned 20 numbers (1040 to 1059) for counties to maintain their various bank cash/checking accounts. Counties may assign these numbers as they deem appropriate.

ASSETS:

Assets are property owned by a county which has a monetary value. Current (financial) assets describe those assets which are available or can be made readily available to meet current costs or to liquidate current liabilities. Included are such items as cash, temporary investments, inventories, and receivables which will be collected within a short period.

Other assets describe those assets which are not expected to be available to meet current operating costs or to liquidate current liabilities. Included are such accounts as advances, capital assets, long-term receivables, restricted assets, and prepaid items.

CURRENT ASSETS

Account  
Number

Cash and investments

1001 Cash and pooled investments

Includes currency, coin, checks, money orders, and bankers' drafts on hand or on deposit with the county treasurer or their agent designated as custodian of cash or demand deposits with financial institutions. Cash equivalents are short-term highly liquid investments including Treasury bills, commercial paper, and money market funds. This account includes certain securities (e.g., Treasury bills) that are classified as investments in the notes to the financial statements to disclose credit and market risks.

1003 Undistributed cash in agency funds (taxes, other)

Cash in agency funds belonging to either governmental or proprietary funds that has not yet been distributed.

1005 Petty cash and change funds

The amount of cash in a departmental control account kept for petty cash and change purposes for all other departments and the treasurer.

1006 Departmental cash

The amount of cash in a department that represents fees and charges that have not yet been remitted to county treasury.

Account  
Number

1010      Dedicated cash

Amounts held as restricted cash for specific purposes such as a social welfare trust fund or for other such purposes as ditches. Account numbers 1010 to 1039 are reserved for various dedicated cash accounts as an alternative.

1040      Bank cash - checking accounts

The amount of cash on hand in all demand deposit accounts in banks and immediately available for the general operating activities. Account numbers 1040 to 1059 are reserved for the various bank checking accounts.

1060      Bank cash - savings accounts

The amount on deposit in banks and available for general operating activities. These are time deposits which may earn interest.

1065      Certificates of deposit

This interest-earning account represents one or more balances which are considered to be deposits. Certificates of deposit are obligations issued by banks and thrift institutions. They are easily converted to cash, much like savings account funds.

1070      Cash with fiscal or escrow agent

Funds deposited with a fiscal agent for debt retirement, interest payments, or anticipated expenses related to new debt issuance.

Account  
Number

1085      Sinking fund - various

This account may be used in the debt service fund, special revenue fund, or an enterprise fund or intergovernmental service fund. It is the amount of cash often deposited in special accounts as required by bond indentures.

Investments

1090      Investments - current

Income-earning securities that have been purchased by the county and are expected to be held for less than one year.

1091      U.S. government obligations

This represents the debt obligations issued by the U.S. government and its agencies that the county has purchased with surplus funds.

1092      Mutual funds

Represents investment company investments that are restricted to government bonds, notes, bills, mortgages, and other securities that are direct obligations or guaranteed by the U.S. government.

1093      Minnesota obligations

This amount represents the debt obligations issued by the State of Minnesota that the county has purchased with surplus funds.

Account  
Number

1094      Commercial paper

Investments in short-term promissory notes issued by corporations with maturities ranging from two to 270 days.

1095      Municipal obligations

This amount represents the municipal obligations that the county has purchased with surplus funds.

1096      Repurchase agreements

This amount represents the purchase price of repurchase agreements, contracts related to debt obligations of the U.S. government and its agencies which have been sold by a second party with a specific maturity date ranging from a few days to one year.

1097      Negotiable certificates of deposit

This account represents one or more balances which are considered to be investments. Certificates of deposit are obligations issued by banks and thrift institutions that have a secondary market and typically have been sold through a broker.

1098      Other investments

All other income-earning securities authorized by Minnesota statutes.

RECEIVABLES<sup>1</sup>Account  
NumberProperty taxes receivable

1100

Current

Unpaid real and personal property taxes for the current year.

1110

Prior

Real and personal property taxes collectible in prior years that are unpaid at year-end.

1120

Interest and penalties on property taxes receivable

The uncollected portion of interest and penalties on unpaid property taxes.

1130

Forfeited tax receivable

Legal claims against property that have been exercised because of nonpayment of delinquent taxes, interest, and penalties. Installment payments due on lands sold at (or because of) tax sale auctions or repurchase of lands after forfeiture. Includes sale of timber and rental of forfeited lands.

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<sup>1</sup>For most receivables, a county should evaluate whether a contra-account is needed for that receivable for an estimated amount that will not be collected. The account number assigned to the contra-account should relate to account number assigned to the receivable account. For example, the allowance for uncollectible current property taxes could be 1101 or 1105.

August 2003

Account  
Number

Special assessments receivable

1140

Current

The uncollected portion of special assessments that the county placed on the current year's tax rolls.

1150

Noncurrent

Also known as deferred special assessments, these represent special assessments that have been levied but are not due within one year.

1160

Prior

Special assessments that the county placed on prior year's tax rolls that are unpaid at year-end.

1180

Interest on special assessments

The uncollected portion of interest receivable due on unpaid installments of special assessments.

Operating receivables

1200

Accounts receivable

This amount represents accounts from individuals or businesses and does not include amounts due from other funds or other governmental units. It does not include items such as taxes or special assessments receivable and should not be commingled or combined in any grouping of such accounts.

Account  
Number

1201      Reserve for uncollectible accounts receivable (credit)

The portion of accounts receivable which is estimated will never be collected. The balance in this account is reported as a deduction from accounts receivable to indicate net accounts receivable. (See also footnote 1.)

1210      Unbilled accounts receivable

The estimated amount of accounts receivable for goods and services rendered but not yet billed to customers.

1220      Notes receivable

An unconditional written promise, signed by the maker, to pay a certain sum on demand or at a fixed or determinable future time either to the bearer or to the order of a person designated therein.

1230      Rent receivable

Amounts due to the county pursuant to operating leases or rent agreements.

1240      Loans receivable

Amounts that have been loaned to individuals, businesses, or organizations external to the county, including notes taken as security for such loans.

1250      Accrued interest receivable

This amount represents interest earned on invested funds which have not been paid because the maturity date of the investment is some time in the future.

August 2003

Account  
Number

1260      Due from other funds

This represents short-term obligations due from one fund to another. Counties should consider separate accounts for receivables from different fund types or each individual fund. This may assist with financial statement preparation.

1280      Due from other governmental units

This represents amounts due the county from another government. These amounts may represent intergovernmental grants, entitlements, or shared revenues or may represent loans or charges for goods or services rendered by the county for another government.

1285      Due from component unit

Amounts owed by a discretely presented component unit to the county as a result of goods or services provided or loans made to the discretely presented component unit.

RESTRICTED ASSETS

Assets whose use is subject to constraints that 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. These are more typically found in proprietary funds or at the government-wide level. Account numbers 1300 through 1399 have been set aside for these assets.

OTHER ASSETS

Account  
Number

1410      Advances to other funds

Amounts that are owed, other than charges for goods and services rendered, to a particular fund by another fund of the county and that are not due within one year.

1420      Advances to other governments

Long-term receivable for advances made to another government.

1425      Advances - employees

Advances made to employees in the form of travel advances before they are earned.

1430      Advances - others

Receivable for long-term advances made to others.

1451      Inventories - materials and supplies

Value at cost of materials and supplies on hand for future consumption.

1452      Inventories - stores for sale

Goods held for resale rather than for use in operations.

1460      Prepaid items

Charges incurred for benefits to be received in future periods. (Credit amounts charged to expenditure/expense in future periods.)

August 2003

Account  
Number

1470      Deferred charges

Nonregularly recurring, noncapital costs of operations that benefit future periods. These costs include those incurred in connection with the issuance of debt (e.g., underwriting and legal fees).

1475      Investments in joint ventures

Investments and subsequent allocations of earnings or losses for joint ventures where the county has an equity interest.

1480      Capital assets, held for resale

Property held by the county not for county use, but rather on a temporary basis until sold.

CAPITAL ASSETS

1500      Land

Acquisition cost of land, including the purchase price and related costs of the purchase, such as fees, demolition, and clearing costs necessary to prepare the land for its intended use. (Used to capitalize the expenditure account, Site or grounds acquisition.)

1510      Infrastructure and infrastructure improvements

Acquisition or construction costs for tangible property that is normally both stationary in nature and can be preserved for a significantly greater number of years than other types of property. Examples include: roads, bridges, tunnels, storm drainage systems, water and sewer systems, dams, and lighting systems. (Used to capitalize the expenditure account, Infrastructure acquisition or construction.)

August 2003

Account  
Number

1515      Accumulated depreciation - infrastructure (credit)

The accumulation of systematic and rational allocations of the estimated cost of using infrastructure, on a historical cost basis, over the useful lives of the infrastructure. This account is not used for any infrastructure that is reported using the modified approach.

1520      Buildings and structures

Acquisition or construction cost of buildings owned. This account includes the purchase price of buildings acquired and related costs of the purchase. This account includes the construction cost of new buildings such as consulting, excavation, general, mechanical, electrical, and insurance and other miscellaneous expenses incurred in construction. This account also includes the cost of fixtures attached to and forming a permanent part of the building, building improvement expenditures, and land improvement expenditures associated with the construction of a new building. (Used to capitalize the expenditure account, Building acquisition or construction.)

1525      Accumulated depreciation - buildings (credit)

The accumulation of periodic credits made to record the expiration of the estimated service life of buildings in enterprise or internal service funds and at the government-wide level.

1530      Improvements other than buildings

Cost of improvements made to land such as sidewalks, curbing, fences, retaining walls, water sprinkler systems, landscaping, and parking lots. (Improvement expenditures resulting from the construction of a new building should not be included in this account but should be included in Buildings and structures, #1520.)

Account  
Number

1535      Accumulated depreciation - improvements other than buildings (credit)

The accumulations of periodic credits made to record the expiration of the estimated service life of improvements other than buildings in enterprise or internal service funds and at the government-wide level.

1536      Leasehold improvements

Cost of improvements and alterations made to leased property. (Used to capitalize the expense account, Buildings - leased.)

1538      Accumulated amortization (depreciation) - leasehold improvements (credit)

Reflects the expiration of the service life of leasehold improvements over the useful life of the improvement or the life of the lease, whichever is shorter.

1540      Machinery, vehicles, furniture, and equipment

Tangible property of a more or less permanent nature, other than land or buildings and improvements thereon. Examples are: machinery, tools, furniture, and furnishings. (Used to capitalize the expenditure account, Machinery and equipment purchase.) Also, includes the value at cost of trucks, automobiles, and other vehicles and other off-the-road maintenance equipment. (Used to capitalize the expenditure account, Vehicles purchased.)

1545      Accumulated depreciation - machinery, vehicles, furniture, and equipment (credit)

The accumulation of periodic credits made to record the expiration of the estimated service life of machinery, vehicles, furniture, and equipment in enterprise or internal service funds and at the government-wide level.

August 2003

Account  
Number

1550      Construction-in-progress

Value at cost of land, building, and attached equipment projects being constructed but not completed. Upon completion of the project, these accounts should be closed out and the costs capitalized in the Land; Buildings and structures; and Equipment, furniture, and fixtures accounts.

1560      Landfill

Cost of constructing or acquiring landfill structures. This would not include any land costs. These assets also could be accounted for in buildings or other improvements.

1565      Accumulated depreciation - landfill

Allocation of the cost of landfill asset over its useful life.

Works of art and historical treasures

Collections or individual items of significance that are owned by a local government that are not held for financial gain, but rather for public exhibition, education, or research in furtherance of public service. Collections or individual items that are protected and cared for or preserved and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. There can be two types of collections.

Account  
Number

1570      Inexhaustible collection or items

Collections where the economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinarily long. Because of their cultural, aesthetic, or historical value, the holder of the asset applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

1572      Exhaustible collections or items

Collections or items whose useful lives are diminished by display or educational or research applications.

1575      Accumulated depreciation - works of art and historical treasures (credit)

Allocation of the value of the works of art and historical treasures over the estimated useful lives of these exhaustible assets.

LIABILITIES AND OTHER CREDITS:

CURRENT LIABILITIES

2001      Warrants payable

Account balance reflects liabilities from registered warrants which have been issued but have not been redeemed.

2005      Vouchers payable

Liabilities for goods and services evidenced by vouchers that have been pre-audited and approved for payment but that have not been paid.

Account  
Number

2020      Accounts payable

A short-term liability reflecting amounts on open account owing to private persons or organizations for goods and services received by a county.

2028      Refunds payable

Amounts due back to individuals or others because of overpayments to the county.

2030      Accrued salaries and wages payable

Current liability for amounts due employees and former employees for personal services.

2032      Accrued payroll taxes

Liability for employee's portion of salary-related taxes, including federal and state income taxes.

2035      Benefits or employer's contribution payable

Liability for unpaid employer's portion of expenses related to employee benefits, including FICA, unemployment, and workers' compensation.

2040      Compensated absences payable - current

Current portion or fund liability for amounts owed to employees for unpaid vacation and sick leave liabilities.

Account  
Number

2050      Claims and judgments payable - current

Current liability for amounts owed as the result of administrative or court decisions, including workers' compensation, unemployment, improper arrests, property damage, and condemnation awards. These amounts can be included in accounts payable for financial reporting.

2060      Contracts payable

Balance reflects amount due on contracts for goods or services furnished to another governmental unit.

2070      Retainage payable

A portion of amounts due on construction contracts. Such amounts represent a percentage of the total contract price that is not paid pending final inspection, the lapse of a specified time, or both.

2090      Due to other funds

Balance is amount due to other funds of the same county that are due within one year. A detailed ledger should show account activity of each fund.

2100      Due to other governments

Account represents amount due on a current or delinquent basis to another governmental agency. A detailed ledger should show account activity of each agency.

Account  
Number

2110      Due to component unit

Amounts owed by the county (primary government) to a discretely presented component unit as a result of goods or services provided or current portion of loans made by the discretely presented component unit.

2120      Due to the primary government (county)

Amounts owed to the county by a discretely presented component unit.

2200      Matured bonds payable

Unpaid bonds/debt that have reached or passed their maturity date.

2210      Matured interest payable

Unpaid interest on bonds that have reached or passed their maturity date.

2220      Accrued interest payable

Interest costs related to the current period and prior periods, but not due or payable until a later date.

2230      Deferred revenue - unavailable

Amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not yet been met because such amounts are measurable but not available for expenditure.

Account  
Number

2240      Deferred revenue - unearned

Amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

2250      Unapportioned taxes

The amount in the taxes and penalties fund during the year that has not been distributed to county funds and others.

2260      Estimated liability for landfill closure and postclosure care costs -  
current

Current portion of the estimated future costs for closure and postclosure care for county-owned landfill.

2270      Customer deposits

Liability for deposits made by customers as a prerequisite to receiving goods or services the county provides.

2305      Notes payable - current

The face value of notes generally due within one year, including governmental fund notes payables.

2310      General obligation bonds payable - current

The face value of current portion of general obligation bonds due within one year.

August 2003

Account  
Number

2315      Special assessment bonds payable - current

Account balance reflects the face value of the current portion of special assessment bonds due within one year.

2320      Revenue bonds payable - current

Account balance reflects the face value of the current portion of revenue bonds due within one year.

2325      Certificates of participation payable - current

This account reflects the face value of the current portion of certificates of participation due within one year.

2330      Facilities lease revenue bonds payable - current

This account reflects the face value of the current portion of facilities lease revenue bonds payable due within one year.

2335      Capital notes payable - current

This account reflects the face value of the current portion of capital notes payable due within one year.

2340      Capital leases payable - current

Current portion of the discounted present value of total future stipulated payments on lease agreements that were capitalized.

2350      Other current liabilities

Appropriately descriptive account titles should be used for other items that are considered current liabilities.

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CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Separate account numbers should be used for liabilities that the county will pay off using restricted assets. These accounts will be similar in nature to other current liabilities, i.e. accounts payable, accrued interest payable, contracts payable, etc. The account numbers 2400 through 2499 have been designated for these accounts, which primarily will be used for proprietary funds or at the government-wide level.

NONCURRENT LIABILITIES

Account  
Number

OTHER NONCURRENT LIABILITIES

2510      Customer deposits - noncurrent

Deposits received from customers that are not expected to be refunded within the next year.

2520      Advances from other funds

Balance reflects amounts owed to other funds where such amounts are payable in years subsequent to the current year. Balance may represent a long-term advance. Generally, with advances, there is a repayment schedule. The county should consider separate accounts for advances between fund types or between individual funds. By fund type would be:

- 2516      Advances from governmental funds
- 2517      Advances from proprietary funds
- 2518      Advances from fiduciary funds

2530      Advances from other governments

Balance reflects amounts owed to other units of government where such amounts are payable in years subsequent to the current year.

Account  
Number

2540      Compensated absences - noncurrent

The noncurrent portion of amounts owed to employees for unpaid vested sick and vacation leave.

2550      Claims and judgments payable - noncurrent

Noncurrent portion of liability for amounts owed as the result of administrative or court decisions, including workers' compensation, unemployment, improper arrests, property damage, and condemnation awards.

2560      Estimated liability for landfill closure and postclosure care costs -  
noncurrent

Noncurrent portion of the estimated future costs for closure and postclosure care for county-owned landfill.

2570      Advance from primary government (county)

Noncurrent portion of amounts owed by a discretely presented component unit to the county (primary government) as a result of loans/advances made to the discretely presented component unit.

2580      Net pension obligation

The cumulative difference between annual pension cost and the employer's contributions to a pension plan. (Because counties are required to pay 100% of the annual requirement, it is generally expected that this account will not be needed.)

2590      Other noncurrent liabilities

Appropriately descriptive account titles should be used for any additional noncurrent liabilities.

August 2003

Account  
NumberNoncurrent debt liabilities<sup>1</sup>

2605

Notes payable - noncurrent

The face value of notes not due within one year.

2606

Unamortized premium on debt

The unamortized portion of the excess of debt proceeds over the face value of the debt (excluding accrued interest and issuance costs).

2607

Unamortized discounts on debt

The unamortized portion of the excess of the face value of the debt over the amount received from the sale (excluding accrued interest and issuance costs).

2608

Unamortized charge--refunding debt

The unamortized portion of the difference between the reacquisition price and the net carrying amount of debt that has been refunded in either an advance refunding or current refunding transaction. This account is added to or deducted from the related debt reported on the balance sheet.

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<sup>1</sup>The noncurrent portion of debt is presented in the financial statements net of any related premiums or discounts or, if refunding, issue the unamortized charge. However, within the accounts, it will be beneficial to establish separate accounts for these balances.

August 2003

Account  
Number2610      General obligation bonds payable - noncurrent

Account balance reflects the face value of the long-term portion of general obligation bonds issued and unpaid.

2611      Unamortized premium on debt2612      Unamortized discounts on debt2613      Unamortized charge--refunding debt2615      Special assessment bonds payable - noncurrent

Account balance reflects the face value of the long-term portion of special assessment bonds with government commitment issued and unpaid.

2616      Unamortized premium on debt2617      Unamortized discounts on debt2618      Unamortized charge--refunding debt2620      Revenue bonds payable - noncurrent

Account balance reflects the face value of the long-term portion of revenue bonds issued and unpaid.

2621      Unamortized premium on debt2622      Unamortized discounts on debt2623      Unamortized charge--refunding debt

August 2003

Account  
Number

2625            Certificates of participation payable - noncurrent

This account reflects the face value of the noncurrent portion of certificates of participation due within one year.

2626            Unamortized premium on debt

2627            Unamortized discounts on debt

2628            Unamortized charge--refunding debt

2630            Facilities lease revenue bonds payable - noncurrent

This account reflects the face value of the noncurrent portion of facilities lease revenue bonds payable due within one year.

2631            Unamortized premium on debt

2632            Unamortized discounts on debt

2633            Unamortized charge--refunding debt

2635            Capital notes payable - noncurrent

This account reflects the face value of the noncurrent portion of capital notes payable due within one year.

2636            Unamortized premium on debt

2637            Unamortized discounts on debt

2638            Unamortized charge--refunding debt

2640            Capital leases payable - noncurrent

Noncurrent portion of the discounted present value of total future stipulated payments on lease agreements that were capitalized.

2641            Unamortized premium on debt

2642            Unamortized discounts on debt

2643            Unamortized charge--refunding debt

August 2003

FUND BALANCESAccount  
NumberReserved Fund Balance

2710

Reserved for debt service

Segregation of a portion of fund balance for resources legally restricted to the payment of general long-term debt principal and interest maturing in future years.

2715

Reserved for endowments

Account used to indicate that permanent trust fund balances are legally restricted to endowment purposes.

2720

Reserve for encumbrances

Segregation of a portion of fund balance for commitments related to unperformed contracts.

2725

Reserve for advances to other funds

Reflects the noncurrent portion of long-term interfund receivables.

2730

Reserved for inventories

An account used to segregate a portion of fund balance to indicate, using the purchases method for budgetary purposes, that inventories do not represent "available spendable resources."

2735

Reserved for noncurrent loans receivable

Segregation of a portion of fund balance to indicate that noncurrent portions of loans receivables do not represent expendable available financial resources.

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Account  
Number

2740      Reserved for prepaid items

Segregation of a portion of fund balance to indicate that prepaid items do not represent expendable available financial resources.

2745      Reserved for capital assets held for resale

Segregation of a portion of fund balance to indicate that capital assets held for resale do not represent expendable available financial resources.

Other fund balance reserves

The following represents some other typical reserves of fund balance that are legally (by law or agreement) restricted for specific purposes. Additional reserves can be set up within the account number range 2750 through 2799.

2750      Reserved for missing heirs

2752      Reserved for law library

2754      Reserved for recorder equipment purchases

2756      Reserved for enhanced 911

2758      Reserved for cash and investments with escrow agent

2760      Reserved for landfill closure/postclosure costs

2762      Reserved for boat and water safety

2764      Reserved for sheriff's contingency

August 2003

Account  
Number

- 2766      Reserved for forfeiture property
- 2768      Reserved for gravel pit closure
- 2770      Reserved for veteran's van
- 2772      Reserved for perpetual care
- 2774      Reserved for conservation
- 2776      Reserved for

Unreserved Fund Balance

Unreserved fund balance is segregated into two general categories: designated and undesignated. Designations represent county management's tentative plans for future financial resources use. The following accounts are some typical designations used by counties. The account number range of 2800 through 2879 has been set aside for designations.

- 2801      Designated for subsequent year's expenditures
- 2803      Designated for cash flows
- 2805      Designated for capital improvements
- 2807      Designated for compensated absences
- 2809      Designated for contingencies
- 2811      Designated for petty cash and change funds

Account  
Number

2813      Designated for capital equipment

2815      Designated for recycling

2817      Designated for unrealized gains on investments

2819      Designated for

2880      Undesignated fund balance

Portion of fund balance representing expendable available financial resources.

NET ASSETS

3100      Net assets, invested in capital assets, net of related debt

The component of the difference between assets and liabilities of proprietary funds and at the government-wide level that consists of capital assets less both accumulated depreciation and the outstanding net balance of debt that is directly attributable to the acquisition, construction, or improvement of those assets.

Net assets, restricted for

The component of the difference between assets and liabilities of proprietary funds and at the government-wide level that consists of assets with constraints placed on their use by either external parties (e.g., creditors or grantors) or through constitutional provisions or enabling legislation less any related liabilities. The account number range 3200 through 3279 has been set aside for restricted net assets. Some common examples of restricted assets follow.

Account  
Number

3201	<u>Restricted for debt services</u>
3203	<u>Restricted for capital projects</u>
3205	<u>Restricted for general government</u>
3207	<u>Restricted for public safety</u>
3209	<u>Restricted for highways and streets</u>
3211	<u>Restriction for sanitation</u>
3213	<u>Restricted for human services</u>
3215	<u>Restricted for health</u>
3217	<u>Restricted for culture and recreation</u>
3219	<u>Restricted for conservation</u>
3221	<u>Restricted for economic development</u>
3223	<u>Restricted for endowments - permanent</u>
3225	<u>Restricted for endowments - temporary</u>
	<u>Fiduciary Net Assets</u>
3281	<u>Net assets, held in trust for pool participants</u>

The difference between the assets and liabilities of external investment pools reported by the sponsor county in an investment trust fund.

Account  
Number

3285      Net assets, held in trust for other purposes

The difference between the assets and liabilities of fiduciary funds, other than investment trust funds.

3300      Net assets, unrestricted

The difference between the assets and liabilities of proprietary funds and at the government-wide level that is not reported as net assets, invested in capital assets, net of related debt or restricted net assets.

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Sources of Revenue/Additions

Page 1

In governmental funds, revenues are presented by source in the fund financial operating statement. The sources of revenue are categorized into the following groups: taxes and penalties, special assessments, licenses and permits, intergovernmental revenue, charges for services, fines and forfeitures, gifts and contributions, investment earnings, and miscellaneous. Also included are account numbers for other financial inflows, including other financing sources, special items, extraordinary items, and capital contributions. For several reasons, counties will find it beneficial to also code revenues to the program generating or using that revenue if it can clearly be identified. For proprietary funds, revenues need to be identified between operating and nonoperating, but the same coding structure can be used. Differences can occur between the timing and amount of revenue recognition because of the different bases of accounting. For fiduciary trust funds, counties should establish accounts that result in additions to fiduciary net assets. The term “revenues” is not used for fiduciary funds.

General Ranges for Revenue Sources

The following are the general broad ranges for the revenue sources:

<u>Account Number</u>	
5001-5049	Taxes
5050-5099	Special assessments
5100-5199	Licenses and permits
5200-5499	Intergovernmental
	5200-5249 Shared revenues
	5250-5269 Intergovernmental charges
	5270-5279 Payments in lieu of taxes
	5280-5299 Local grants
	5300-5399 State grants
	5400-5499 Federal grants
5500-5599	Charges for services
5600-5699	Fines and forfeitures
5700-5749	Investment earnings
5750-5799	Gifts and contributions
5800-5899	Miscellaneous
5900-5999	Other financing sources, special items, extraordinary items, and other

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TAXES:

Account  
Number

Property taxes, interest, and penalties

5001 Property taxes - current

Taxes levied on real and personal property collected during the current year. It excludes taxes on mobile homes.

5003 Property taxes - light and power

Special taxes levied on the related physical assets of privately-owned electrical utilities--generating facilities, substations, and distribution power lines.

5004 Property taxes - delinquent

Taxes levied on real and personal property collectible in prior years which were collected during the current year.

5005 Penalties, interest, and costs

Penalties collected on all types of property taxes and interest charged for late payment of prior year delinquent taxes.

5006 Fiscal disparities

Distributions of a portion of property taxes on commercial-industrial properties based on the area-wide net tax capacity calculated by the administrative auditor pursuant to the Minnesota Fiscal Disparities Act, Minn. Stat. ch. 473F.

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Account  
Number

5007      Manufactured home - current

Taxes levied on the assessed valuation of mobile homes collectible during the current year.

5008      Manufactured home - delinquent

Delinquent mobile home taxes collected.

5009      Tax increment

Incremental property tax revenues captured for county redevelopment districts. Also, excess tax increment revenues distributed to the county.

5010      Forfeited property

Revenue received from the settlement of tax foreclosure land sales.

OTHER TAXES

5011      Aggregate material production (gravel) tax

County share of tax imposed on the extraction/production of aggregate material.

5013      Mortgage registry

County share of tax revenue received for registering mortgages.

5014      Deed tax

County share of tax revenue imposed on transferring deeds on real property.

Account  
Number

5015      Local sales taxes

Local tax imposed by special legislation on sales within the county and pursuant to Minn. Stat. § 297A.98.

5016      Lodging tax

Local tax imposed by special legislation on lodging within the county.

5018      Other tax

Other taxes imposed by the county.

SPECIAL ASSESSMENTS:

5051      Special assessments - current

Current special assessment levies against benefitting property owners for improvements and/or other services not provided by the general tax levies.

5052      Special assessments - current/prepays

Prepaid collections of special assessments against benefitting property owners prior to a levy.

5054      Special assessments - delinquent

Delinquent collections of assessments against benefitting property owners for improvements and/or other services not provided by the general tax levies.

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Account  
Number

5055            Special assessments - penalties and interest

Penalties collected on all types of property taxes and interest charged for late payment of prior year delinquent taxes.

LICENSES AND PERMITS:

5100            Business licenses and permits

Revenues from businesses and occupations which must be licensed before doing business within the government's jurisdiction, such as liquor, beer, cigarettes, lodging, auctioneer, transient merchants, waste disposal, etc.

5150            Non-business license and permits

Revenues from all non-business licenses and permits levied according to the benefits presumably conferred by the license permit, such as bicycle, pets, marriage, etc.

INTERGOVERNMENTAL REVENUES:

State shared revenue

Numbers 5201 to 5249 have been reserved for revenues received from the state government which are distributed based on state statute or regulation, including formula aid. These include:

- Agricultural conservation credit (Minn. Stat. § 273.119)
- Agricultural preserves credit (Minn. Stat. § 473H.10)
- Attached machinery aid (Minn. Stat. § 273.138)
- Criminal justice local government aid (Minn. Stat. § 477A.0121)
- Disaster credit (Minn. Stat. § 273.123)
- Disparity reduction aid
- Enhanced 911

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Sources of Revenue/Additions (Continued)

- Enterprise zone credit (Minn. Stat. § 469.171)
- Family preservation aid (Minn. Stat. § 477A.0122)
- Highway users tax
- Market value homestead and agricultural credit aid (Minn. Stat. § 273.1384)
- Local government aid
- Manufactured home homestead and agricultural credit aid
- Native prairie credit
- PERA rate reimbursement (Minn. Stat. § 273.1385)
- Taconite property tax relief
- Water craft registration
- Wetlands credit
- Supplemental homestead credit (Minn. Stat. § 273.191)

Intergovernmental charges, payments in lieu of taxes, and local grants

Payments received from the state, federal, or local governments for a variety of purposes.

Local participating highway - contractual

Revenue received from highway construction participation of municipalities and other agencies in road, signal, bridge, and right-of-way expenditures. Construction is performed by a contractor.

Local participating highway - force

Revenue received from highway construction participation of municipalities and other agencies in road, signal, bridge, and right-of-way expenditures. Construction is performed by county employees and not by a contractor.

Highway maintenance agreements

Revenue received from other governmental agencies based on agreements with them for the maintenance of roads, bridges, and signals owned either by the governmental agencies or jointly with the county.

Intergovernmental charges - state

Revenues received from the state for certain services provided by the county.

Payments in lieu of taxes for natural resource lands - state

State revenue in lieu of taxes for services the county provides to state-owned natural resource lands.

Payments in lieu of taxes for natural resource lands - federal

Federal revenue in lieu of taxes for services the county provides to federally-owned natural resource lands.

Payments in lieu of taxes - local

Revenues received from local governments in lieu of property taxes for services provided by the county.

Local grants

Grants from other local governments for specific programs or uses.

State grants

Numbers 5300 to 5399 have been reserved for revenues received from the state government which are distributed for specific programs or use. Sufficient detail in the accounting records should indicate the state department source and a description of the grant.

Federal grants

Numbers 5400 to 5499 have been reserved for revenues received from the federal government which are distributed for specific programs or uses. Sufficient detail in the accounting records should indicate the federal department providing the grant, if pass-through funding; the state department or other agency administering the grant; the catalog of federal domestic assistance number for the program; and other pertinent information.

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CHARGES FOR SERVICES:

Account  
Number

5500      Charges for services

We have reserved numbers 5500 to 5549 to allow for development of specific fee accounts as applicable and useful to the county. These are charges for current services exclusive of revenues from public utilities and other public enterprises. Charges for services should be segregated between general government, public safety, highway and streets, sanitation, health and welfare, culture-recreation, education, and other charges.

5590      Internal-county fees

Account represents various revenues received by one department of a county for providing materials or services for other departments within a county.

FINES AND FORFEITURES:

5610      Statutory

Account represents revenue received from fines, bail forfeitures, and penalties imposed for statutory offenses.

5615      Forfeitures and bond

Account represents bond and bail funds received and later forfeited.

5620      Municipal

Account represents revenue from court fines for violation of municipal ordinances.

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Account  
Number

5625      Highway patrol

Account represents revenue from court fines for violation of state highway laws and regulations.

5630      Boat and water

Account represents revenue from court fines for violation of state boat and water laws and regulations.

5635      Chemical dependency

Account represents revenue from court fines for violation of chemical dependency laws and regulations.

5640      Game and fish

Account represents revenue from court fines for violation of state game and fish laws and regulations.

5645      Snowmobile

Account represents revenue from court fines for violation of state snowmobile laws and regulations.

INVESTMENT EARNINGS:

5710      Investment earnings

Revenue received as interest or other earnings on investments. (Realized gains or losses on investment transactions which result from the purchase of an investment at other than the par value or from the sale of an investment prior to maturity may be included in this account if the realized gain or loss is from unrestricted funds.)

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Account  
Number

5720      Investment earnings restricted

Revenue received as interest or other earnings on investments that are restricted for a specific use or program.

5730      Net increase (decrease) in the fair value of investments

Impact on investment earnings of changes in the fair value of investments other than certain short-term money market investments.

GIFTS AND CONTRIBUTIONS:

5750      Contributions and donations from private or other sources - general

Revenue received from non-public sources as contributions and donations for general uses of the county.

5760      Contributions and donations from private or other sources - restricted

Revenue received from non-public sources as contributions and donations that are restricted by the donor to specific purposes.

MISCELLANEOUS REVENUES:

5810      Rents and royalties

Revenue received from the lease or rental on buildings, vehicles, land and easements, signs, parking lots, etc.

Sources of Revenue/Additions (Continued)Account  
Number5820      Redeposits

Dishonored checks returned by banks are charged to this account. Subsequent collections on dishonored checks are credited to this account (at the end of the fiscal period, any remaining checks determined to be collectible are reclassified as an asset - accounts receivable).

5825      Escheats

The uncompensated acquisition of missing heirs property unclaimed or abandoned by its owners.

5830      Miscellaneous other revenue

Miscellaneous other revenue not provided for above.

OTHER FINANCING SOURCES:5910      Interfund transfers

Financial inflows from other funds of the county that are not classified as interfund services provided and used, reimbursements, or loans.

5915      Payments from component units

Financial inflows received from component units of the county that are not for services provided.

5920      Sales of capital assets

Revenue received from the sale of capital assets, except for unusual sales. (See Special Items.) For proprietary funds, you would recognize the gain on sale or disposal of capital assets.

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Account  
Number

5925	<u>Compensation for loss of capital assets</u>
	Financial compensation, such as insurance proceeds, for the loss of county capital assets. For proprietary funds, you would recognize the gain on any compensation received for the loss of capital assets.
5930	<u>Capital leases issued</u>
	Present value of future minimum lease payments for leases of capital assets for which ownership is essentially transferred to the county.
5940	<u>General obligation bonds issued</u>
	The face amount of general obligation bonds issued.
5945	<u>Refunding bonds issued</u>
	The face amount of bonds issued to refinance existing debt.
5950	<u>Special assessment bonds issued</u>
	The face amount of bonds issued that will be funded by special assessments against benefitting properties.
5955	<u>Capital improvement notes issued</u>
	The face amount of general obligation capital improvement notes issued.
5960	<u>Bonds - revenue</u>
	Proceeds received from revenue bonds whose principal and interest are payable exclusively from earnings of a public enterprise.

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Account  
Number

5965      Premiums on bonds/notes issued

Premium received on bond or note issuance.

SPECIAL ITEMS:

5970      Financial inflows and/or gains that result from significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

EXTRAORDINARY ITEMS:

5975      Transactions or other events that result in financial inflows and/or gains that are both unusual in nature and infrequent in occurrence.

OTHER:

5980      Capital contributions

Contributions of capital assets to proprietary or fiduciary funds or at government-wide level.

ADDITIONS:

These accounts represent additions to the net assets of fiduciary trust funds. The types of accounts and detail of the additions classification depends on the nature and type of trust fund. Some revenue accounts can be used for similar-type transactions for fiduciary funds. Account numbers 5981 through 5989 have been identified for these additional accounts. The following could be typical additions within fiduciary funds:

- Trust deposits
- Contributions from employers
- Contributions from plan members
- Contributions from participants

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NON-REVENUE ITEMS:

Items that typically represent cash collections that do not meet revenue recognition criteria. They can be recorded on a cash basis in the accounts during the year but are eliminated for financial reporting.

Account  
Number

5990      Expenditure reimbursements

Reimbursements from vendors and others for overpayments or payments made in error by the county.

5995      Interfund reimbursements

Reimbursements from other funds within the county for payments made by another fund for that fund.

5996      Interfund loan collections

Payments received from other funds on loans between the funds.

EXPENDITURE OVERVIEW:

Expenditure objects relate to the services or commodities obtained by a county as the result of an expenditure. For counties operating on a modified accrual basis, the expenditure occurs when goods or services are received and the related fund liability has occurred.

Since expenditure objects vary considerably from county to county, we have not assigned numbers to any specific accounts. Rather, we have given examples of the type of accounts to be used within each category.

We have, for example, assigned 50 numbers (6100 to 6149) for salary and wage accounts and have given examples of some accounts that might be used. However, counties may change or expand this listing as it fits their needs but should attempt to stay within the designated numbering parameters.

PUBLIC AID ASSISTANCE:

This category includes all of the expenditure objects that are specific to public aid assistance. The first 100 expense object numbers have been reserved for this purpose. They are 6001 to 6099. These numbers are placed before all other expense objects so that human services (community social services) budgets would show this spending category first, since it is the most significant expenditure within this function.

As with all other object categories, only a few of the more relevant objects are listed specifically. Other public aid assistance expenditure objects will be standardized from time to time as the need arises. Until then, counties should use expenditure object code numbers that are relevant to their specific public aid assistance requirements, but within the 100 numbers designated above. Examples of public aid assistance objects:

- Payments to recipients
- Payments for recipients

PERSONAL SERVICES:

Personal services include salaries and employee benefits. They do not include independent contractors or self-employed individuals. Account numbers 6100 to 6149 have been reserved for various salary and wage accounts as might be identified by counties. Account numbers 6150 to 6199 have been reserved for various types of employee benefits.

Salaries and Wages

The following are the basic minimum salary categories maintained by most counties. This can, however, be expanded to reflect any county's need for additional specific salary category information.

- Salaries and wages - permanent
- Salaries and wages - part-time
- Salaries and wages - temporary
- Salaries and wages - overtime
- Salaries and wages - other salaries and wages
- Per diem amounts paid in lieu of salaries

Employee Benefits

Insurance

This category is for the county's share of insurance paid for the benefit of employees. The numbers 6150 to 6159 have been reserved for the various types of employee insurance to which the county may be contributing. (Group hospitalization, major medical, group life, etc.)

Retirement

This category is for the county's share of contributions to various retirement funds. The numbers 6160 to 6169 have been reserved for the various types of retirement programs to which the county may be contributing.

Other Employee Benefits

This category is for all other amounts paid by counties on behalf of employees but not included in the employees' gross salary. The numbers 6170 to 6199 have been reserved for these types of expenses. Some of the more common employee benefits have been listed below.

- Social security contributions
- Unemployment compensation
- Workers' compensation
- Tuition and education expenses
- Other employer contributions

SERVICES AND CHARGES:

Services and charges include services rendered by individuals who are not on the county payroll. They also include charges made by one department of a county to other departments or services performed by county employees under special arrangements not included in their salaries or wages.

Communication and Transportation Services

This category includes amounts paid for services provided by persons or businesses to assist in transmitting information or transporting people or materials. Account numbers 6200 to 6229 are reserved.

- Telephone and telegraph
- Wireless telephone
- Internet service
- Postage and postal box rental
- Freight, UPS, and trucking charges
- Prisoner conveyance
- Other communications and transportation usage

Typing, Photocopying, Duplicating, and Binding

This category includes amounts paid for services related to typing, photocopying, etc. This does not include work performed by county employees in their normal performance of duties, except in the event that these services were performed as part of an intergovernmental fund service, where these services were billed to user departments. Account numbers 6230 to 6239 have been reserved.

Photocopying and duplicating  
Publications and brochures

Publicity Subscriptions and Dues

This category is for amounts paid for advertising, legal notice publications, membership dues, and other related expenses. Account numbers 6240 to 6249 have been reserved.

Advertising  
Membership dues and registration fees  
Public relations

Utility Services

This category is for amounts paid for services usually provided by public utilities such as water, sewage, and garbage collection. Included are gas and electricity not used for fuel. Account numbers 6250 to 6259 have been reserved.

Electricity  
Gas  
Sewer

Professional and Technical Fees for Service

This category is for amounts paid for services that can be performed only by persons with specialized skills and knowledge. Included are the services of architects, engineers, auditors, dentists, medical doctors, lawyers, consultants, accountants, etc. Account numbers 6260 to 6299 have been reserved.

- Legal
- Consulting
- Data processing
- Court reporting
- Court services

Repair and Maintenance Services

This category is for expenditures for repairs and maintenance services provided by non-county personnel. Include contracts and agreements covering the upkeep of grounds, buildings, and equipment. Exclude costs for new construction, renovating, remodeling, initial and additional equipment considered capital expenditure. Account numbers 6300 to 6329 have been reserved.

- Machinery and equipment
- Grounds and grounds improvement
- Other repair and maintenance services

Travel

This category is for costs of transportation, meals, hotels, and other expenses associated with traveling on business for all county personnel. Include payments for per diem in lieu of reimbursements for subsistence. Account numbers 6330 to 6339 have been reserved.

- Motor pool vehicle usage
- Employee automobile allowance or mileage
- Hotel and meals travel expense
- Other travel expenses

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Rentals and Service Agreements

This category is for expenditures for the lease or rental of land, buildings, and equipment for the temporary or long-term use by the county. Include vehicles, data processing equipment, reproduction equipment, shop, construction, and maintenance equipment. Account numbers 6340 to 6349 have been reserved.

- Machinery and equipment rentals
- Building and facility rentals
- Land rentals

Other Charges

This category includes services and charges not included in any of the previous categories. Account numbers 6350 to 6379 have been reserved.

- Insurance
- Other miscellaneous charges

Interdepartmental Charges

This category is provided to reflect the costs of labor or services, materials, and other direct and indirect costs incurred by one department of a county for other departments within a county. Account numbers 6380 to 6399 have been reserved.

- Accounting
- Data processing
- Maintenance
- Copying
- Other services
- Vehicle repairs
- Snowplowing

DIRECT MATERIALS AND SUPPLIES:

As a general guideline, which may vary with departments, a supply item is any article or material which meets any one or more of the following conditions:

1. It is consumed in use;
2. It loses its original shape or appearance with use;
3. It is expendable; that is, if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to replace it with an entirely new unit rather than repair it;
4. It is an item, having characteristics of equipment, whose small unit cost (for example, less than \$500) makes it inadvisable to capitalize the item (if appropriate); or
5. It loses its identity by fabricating or incorporating it into a different or more complex item.

Office Supplies

This category includes expenditures for supplies and materials used in the offices of a county that meet the above criteria. Account numbers 6400 to 6409 have been reserved.

Stationery and forms  
Data processing supplies  
Other office supplies

General Operating Supplies

This category includes all supplies and materials purchased for the general operations of a county. Included in this category are custodial supplies and general repair items that do not materially increase the value of an asset. Also included in this category is fuel for buildings, including transportation costs involved in securing and delivering the fuel. Account numbers 6410 to 6429 have been reserved.

Food and beverages  
Custodial supplies  
Fuel for buildings

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Surgical and Medical Supplies

This category includes all expendable supplies and materials used for surgical or medical purposes. Account numbers 6430 to 6449 have been reserved.

Drugs and medicine  
Public health supplies

Other Operating Supplies

All other operating supplies, excluding road and bridge supplies, are to be included within account numbers 6450 to 6479.

Agriculture related supplies  
Recreation supplies  
Reference books and library materials  
Law enforcement supplies

Non-Capitalized Equipment Supplies

Certain small equipment purchases that are below the capitalization threshold, but will be inventoried for insurance or asset safeguarding purposes, are included within account numbers 6480 to 6499.

Small equipment  
Electronics  
Small furniture

Road and Bridge Supplies and Materials

Account numbers 6500 to 6559 have been reserved for supplies and material expenditures within the county highway function.

- Engineering and surveying supplies
- Aggregates and sand
- Concrete
- Traffic signs
- Culverts
- Road salt and dust control chemicals

Repair and Maintenance Supplies

This category includes items which are purchased by a county to repair or maintain equipment or vehicles of a county. Account numbers 6560 to 6599 have been reserved.

- Gasoline, diesel, and other fuels
- Motor oil and lubricants
- Tires, tubes, batteries, and motor vehicle parts
- Machinery parts
- Other repair and maintenance supplies

CAPITAL OUTLAY:

This category is used to record amounts paid for the acquisition or construction of capital assets. Generally, only expenditures that will result in additions to capital assets should be recorded in this category of expenditures. To determine if an item should be capitalized, all of the following criteria must be met:

1. The life of the item must be one year or longer.
2. The total cost will exceed the amount established by the county's policy as the capitalization threshold.
3. The item purchased is not a repair or replacement part.
4. An improvement must increase the value or extend the life of item improved.

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All expenditures which meet the above criteria should be charged to one of the following codes. Account numbers 6600 to 6699 have been reserved.

Site or Grounds Acquisition

Record expenditures for the initial acquisition of real property exclusive of buildings or infrastructure. Exclude expenditures relating to subsequent improvements of site or grounds.

Site or Grounds Improvements

Record expenditures made subsequent to the acquisition of real property (exclusive of buildings or infrastructure). Include planting of areas devoted to grass, flowers, shrubs and trees, installing or replacing walks, playgrounds, driveways, sewers, flagpoles, fences, and other man-made improvements.

Infrastructure Acquisition or Construction

Record expenditures made for the acquisition or construction of public infrastructure. Examples include: roads, bridges, tunnels, storm drainage systems, water systems, and dams.

Infrastructure Improvements

Infrastructure improvements are capital costs that materially extend the useful life or increase the value of the public infrastructure, or both.

Buildings Acquisition or Construction

Record expenditures made for the acquisition or construction of buildings and installation of heating and ventilating systems; electrical; plumbing; fire protection and other service systems; lockers, elevators, and other equipment built into the building; paint; and other interior or exterior decorating.

Building Additions

Record expenditures made for additions to existing buildings. Additions extend the floor area and include installation of heating, ventilating, electrical, plumbing, and other systems necessary for the additional space provided.

Building - Improvements

Record expenditures for improvements to (or remodeling of) existing buildings. Improvements and remodeling do not increase the floor area. Include improvements in heating, ventilating, electrical, plumbing, and other systems.

Buildings - Leased

Record amounts paid under installment lease contracts which have a terminal date and result in the acquisition of buildings.

Equipment Purchased

Record amounts paid for an equipment item which is defined as a material unit which meets all of the following conditions:

1. It retains its original shape and appearance with use;
2. It is nonexpendable; that is, if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to repair it rather than replace it with an entirely new unit (which is not true of supplies);
3. It represents an investment which makes it feasible and advisable to capitalize the item; or
4. It does not lose its identity by incorporating it through a different or more complex item.

Include furniture, but exclude built-in equipment which is considered part of the building and so classified. Vehicles which are itemized below are also excluded from equipment.

Vehicles - Purchased

Expenditures for the purchase of all transport conveyances that represent additions or replacements to the existing fleet.

Vehicles - Leased

Amounts paid under installment or lease contracts that have a terminal date and result in the acquisition of additional or replacement transport conveyances.

DEBT SERVICES:

This category includes amounts paid for the reduction of principal, interest, and debt service costs for the following:

1. Bonds, notes, loans, and certificate of participation.
2. Capital leases or installment purchase agreements.
3. Other long-term debt.
4. Short-term financing - payable in the same fiscal year in which the money was borrowed. These payments would not result in an expenditure but rather a reduction of a fund liability.

Account numbers 6700 to 6799 have been reserved for this category.

Bond issuance costs  
Bond principal  
Other debt principal retirement  
Interest on bonded debt  
Interest on loans  
Interest on warrants  
Other debt service charges  
Fiscal agent fees  
Advance refunding escrow additional payments

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OTHER EXPENDITURES:

This category is for expenditures for goods and services not otherwise classified. Account numbers 6800 to 6849 have been reserved. They may include intergovernmental payments which are payments by the county to other governmental units.

Intergovernmental expenditures

Expenditures made by one level or unit of government to another government in support of governmental activities administered by the recipient government.

Miscellaneous

Expenditures made for minor items not otherwise classified.

Refunds

This category is for payments made for reimbursement of remittances previously made to the county for which refund is now claimed because of error, failure to receive services, or other reasons.

EXPENSES:

Proprietary funds present and account for activities on the full accrual basis of accounting. Expenses are recognized when a liability has been incurred. Most of the objects identified previously can be used for proprietary funds. However, some additional expense accounts are required for the full accrual basis. These accounts can fit into similar account ranges already identified or grouped in the range 6850-6879. This section identifies these additional accounts.

Depreciation

Allocation of the cost of tangible property over the useful life of the property rather than deducting the cost as an expense in the year of acquisition.

Bad debt expense

Expense for writing off additional receivables not accounted for in the allowance for uncollectible accounts.

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Expenditure/Expense/Deduction Objects (Continued)

Amortization of bond issuance costs

Allocation of deferred issuance costs over the life of the debt.

Amortization of discount/premium on debt

Allocation of premium or discount on issuance of debt over the life of the debt.

Amortization of deferred refunding issues' charges

Allocation of the excess of the reacquisition price over the net carrying amount of the old debt over the life of the new debt.

Losses on sales/disposal of capital assets

Difference between the net book value of a capital asset and any consideration received for the sale or disposal of that capital asset.

DEDUCTIONS:

It is recommended that, with fiduciary funds, the use of the term "expenses" be avoided. Deductions represent items that reduce fiduciary net assets, except for investing-related expenses. Account numbers 6880 to 6899 have been reserved for these categories:

- Trust payments
- Benefit payments
- Refunds of contributions
- Payments in accordance with trust agreements
- Distributions to shareholders
- Administrative expense

These numbers may also be used for payments made out of agency funds. Although agency funds do not report results of operations for financial reporting, these accounts can be used as temporary accounts during the year. They actually represent decreases in liabilities and could include the following items:

Payments to others  
Payments to other governments  
Tax settlements to other taxing districts

OTHER FINANCING USES, SPECIAL ITEMS, AND EXTRAORDINARY ITEMS:

Other financing uses include financial outflows that are classified separately from expenditures. Special and extraordinary items are outflows for significant unusual and infrequent transactions. Account numbers 6900 to 6999 have been reserved for these categories.

OTHER FINANCING USES

Interfund transfers out

Includes transfers of funds from one county fund to another. Transfers do not represent purchases of goods or services but are used as an accounting entity to show that funds have been handled without having goods and services rendered in return.

Payments to refunded bond escrow agent

Payments to an escrow agent from advance refunding debt proceeds that are to be placed in irrevocable trust.

Discounts on bonds/debt issued

The excess of the face value of bonds over the amount received from their sale (excluding accrued interest and issuance costs).

SPECIAL ITEMS

Outflows and/or losses that result in significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

EXTRAORDINARY ITEMS

Transactions or other events that result in outflows and/or losses that are both unusual in nature and infrequent in occurrence.

OTHER

Interfund loan payments

Payments made to other funds on loans between the funds.

**SECTION 6000**

**PROGRAMS AND SERVICES DIMENSIONS**

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The basic dimensions (fund, department, or object) generally will not be adequate for all units of county government. In areas where it is desirable or necessary to budget, account, and/or report fiscal data below the department level, for example divisions, we have presented in this section of COFARS two additional dimensions: programs and services.

- Programs--This is the next breakout of fiscal data below the department level. It should represent logical subdivisions of the department dimension and in many cases will represent budgeting areas of responsibility.
- Services--This is a further breakout of the program dimension; although budgeting will usually not take place down to this level, it provides a means of accounting for activities that will be useful internally to evaluate costs against performance. It is also needed in some areas for state and federal reporting purposes.

The following numbering systems can be used for the program dimension:

General Government	000-199
Public Safety/Corrections	200-299
Public Works/Transportation/Highways and streets	300-399
Sanitation	400-449
Health	450-499
Culture, Parks, and Recreation	500-549
Conservation	550-599
Welfare/Human Services	600-899
Other	900-949
Economic Development	950-999

These ranges are general guidelines. Individual counties may have to shift the ranges based on their own budgetary and reporting requirements. The basic dimensions (fund, department, objects) are generally all that will be needed for annual financial statement reporting.

Services would also be numbered with unique numbers for each service. This will allow for the automation of the entire county without duplicating numbers. COFARS will not give specific guidance on codes for services. Each county should develop services codes based on their budgetary and internal and external reporting needs.

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USE OF PROGRAM AND SERVICE DIMENSIONS

General Government

The general government areas of county government have traditionally accounted to only the departmental level. However, for many counties, their department structures, budgeting, and accounting requirements necessitate the addition of the program and services codes.

Counties now want to budget and account for divisions or subdepartments within the departments for better management, accountability, and control. Therefore, we have presented suggestions of how general government departments might further subdivide their budgeting and accounting functions. For consistency, we have called these departmental segments “programs.”

NON-GENERAL GOVERNMENT FUNDS AND DEPARTMENTS

The following areas of county government have specific needs or requirements related to reimbursement, federal and state reporting, and auditing. These areas are: welfare/human services, health, corrections, public safety, culture and recreation, conservation, and highways.

For these areas, we have developed with state and county representation, specific programs and services which will be used to aggregate costs in a logical, hierarchical manner. For example, by appropriately coding the basic dimensions and these special dimensions, a human services board or county welfare department will have the capability of posting costs simultaneously rather than maintaining a number of subsidiary ledgers. The total array of dimensions, including the basic chart of accounts, would look like this:

<u>Dimensions</u>	<u>Digits</u>	<u>Example of Meaning</u>
Fund	XX	Human Services
Department	XXX	Income Maintenance
Program	XXX	TANF
Service	XXXX	Maintenance Grant
Transaction Code (Optional)	X	Expenditure
Object	XXXX	Payment to Recipients

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In the above example, we have identified that a payment was made to the recipients of an TANF-related program. At the same time, we have identified the other related dimensions. As a result, it is possible to account and report for the following:

- Total expenditures within the human services fund.
- A budget/expenditure report for the manager who is responsible for income maintenance within the human services department.
- The spending for the TANF program.
- Spending for a specific service (maintenance grants).
- Spending for a specific object of expenditure.

Therefore, the result of appropriately coding programs and services will be a mutually exclusive array of valid accounts that will accommodate reporting for both county management and reimbursement purposes.

PROGRAM ADMINISTRATION COSTS

There will be certain costs that cannot be charged to specific services within programs (e.g. the salary of the department head). These costs will be accumulated in a “program administration” program and may be allocated to operating programs for reporting purposes when necessary.

FINANCIAL ACCOUNTING VS. OTHER ACCOUNTING NEEDS

The purpose of the COFARS manual is to present to counties information related to financial budgeting, accounting, and reporting.

We recognize that there are other legitimate needs that county, state, and/or federal agencies may have related to statistical reporting, case management data, client accounting, time reporting, etc.

Ideally, in automated systems, data may be input into these subsystems and also posted to the accounting system. For example, a client tracking system has a legitimate and needed function, but it is a separate parallel function. The costs that are posted in aggregate to the accounting system relating to client services should equal the total of the individual client costs. A sophisticated client tracking system will be able to do this aggregation automatically. On a manual system, it will be necessary to maintain subsidiary records to determine how much was expended by the client for each service.

**SECTION 7000**

**HIGHWAY COST ACCOUNTING**

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A county task force working with the Minnesota Department of Transportation (MNDOT) developed the State Aid Finance Accounting Manual. The manual contains standards for highway cost accounting.

PURPOSE:

The purpose of the manual is to provide consistent cost accounting procedures for reporting purposes. The manual is divided into sections that generally start with a short narrative describing the funds or accounts within the section. The narrative is followed by any special considerations that you should be aware of, a list of accounts required to make the necessary accounting entries, and a description of the events that take place within the accounts. Lastly, each section contains a worksheet which enables the user to see all the required accounting entries at a glance. The last section of the manual, the Appendix, contains the forms that are referenced throughout the manual.

UPDATES:

The MNDOT State Aid Finance Office, along with the members of the State Aid Task Force, will update the Accounting Manual as changes occur or updates are necessary. As sections of the State Aid Finance Accounting Manual are completed/updated, they will be available on the State Aid Finance Division's web page on the Minnesota Department of Transportation's website.

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**SECTION 8000**

**GLOSSARY AND ACRONYMS AND ABBREVIATIONS**

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**Minnesota County Financial Accounting & Reporting Standards**

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The following is a list of the common terms used in this manual along with their definitions. Some of the definitions were adapted from *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR) developed by the Government Finance Officers Association.

**ABATEMENT.** A complete or partial cancellation of a levy imposed by a government. Abatements usually apply to tax levies, special assessments, and service charges.

**ACCOUNT.** A term used to identify an individual asset, liability, expenditure/expense control, revenue control, encumbrance control, fund balance or net assets.

**ACCOUNT NUMBER.** See CODING.

**ACCOUNTABILITY (ACCOUNTABLE).** The state of being obliged to explain one's actions, to justify what one does. Accountability requires governments to answer to the citizenry--to justify the raising of public resources and the purposes for which they are used. Governmental accountability is based on the belief that people have a "right to know," a right to receive openly declared facts that may lead to public debate by the citizens and their elected representatives. Financial reporting plays a major role in fulfilling a government's duty to be publicly accountable (GASBCS 1).

**ACCOUNTING CYCLE.** Since financial reports are given each period (usually a year in government) there are a set of steps (cycle) taken each period that result in the reports and preparation for the next period or cycle. The term cycle is used because every period there is a start and an end. In government, the cycle usually starts with the budget, goes through the journal entries, adjusting entries, posting to the accounts, financial reports, and closings. See also ACCOUNTING PERIOD.

**ACCOUNTING DATA.** Includes journals, ledgers, and other records such as spreadsheets that support financial statements. It may be in computer readable form or on paper.

**ACCOUNTING ESTIMATE.** An approximation of a financial statement element. Accounting estimates are often included in historical financial statements because measurement of some amounts is uncertain pending outcome of future events and relevant data about events that have occurred cannot be accumulated on a timely, cost-effective basis.

**ACCOUNTING PERIOD.** A period at the end of which and for which financial statements are prepared. See also FISCAL PERIOD.

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**ACCOUNTING POLICIES.** The specific accounting principles and the methods of applying those principles that are judged by the management of the county to be the most appropriate in the circumstances.

**ACCOUNTING PRINCIPLES.** Alternative ways of reporting and disclosing information in financial statements and related footnotes.

**ACCOUNTING SYSTEM.** The total structure of records and procedures designed to discover, record, classify, summarize, and report information on the financial position and results of operations of a government or any of its funds or organizational components. See INTERNAL CONTROL.

**ACCOUNTS PAYABLE.** Liabilities on an open account owed to private persons, firms, corporations, or to governmental units (but not including amounts due to other funds or component units).

**ACCOUNTS RECEIVABLE.** Amounts owing on an open account from private persons, companies, non-profits, or from governmental units for goods and services provided by a government (but not including amounts due from other funds).

**ACCRUAL BASIS.** The basis of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows. See FLOW OF ECONOMIC RESOURCES MEASUREMENT FOCUS.

**ACCRUED EXPENDITURES.** Incurred fund expenditures not yet paid. See also EXPENDITURE and MODIFIED-ACCRUAL BASIS.

**ACCRUED EXPENSES.** Expenses incurred but not yet paid. See also ACCRUAL BASIS and EXPENSES.

**ACCRUED LIABILITIES/PAYABLES.** Liability accounts reflecting costs incurred but not due until a later date. See also ACCRUED EXPENDITURES and ACCRUED EXPENSES.

**ACCRUED REVENUE.** Revenue earned but not yet collected regardless of whether due or not. See also ACCRUAL BASIS.

**ACCUMULATED DEPRECIATION.** A contra-asset account that accounts for the cumulative effect of depreciating a capital asset over its estimated useful life. If a capital asset (for example, a piece of equipment) has a cost of \$1,000,000 and a life of five years with no salvage value, then by the end of the second year, the accumulated depreciation will be \$400,000, that is \$200,000 from the first year and \$200,000 from the second. See also DEPRECIATION.

**ACTIVITY.** A specific and distinguishable service performed by one or more organizational components of the county to accomplish a specific function for which the government is responsible (e.g. county administration is an activity within the general government function).

**ADDITIONS.** Increases in the net assets of fiduciary funds.

**ADMINISTRATIVE CONTROL.** See INTERNAL CONTROL.

**AD VALOREM TAX.** A tax based on the value (or assessed value) of property [Latin: to the value added].

**ADVANCE REFUNDING BONDS.** Bonds issued to refund an outstanding bond issue prior to the date on which the outstanding bonds become due or callable. Proceeds of the advance refunding bonds are deposited with a trustee, invested in U.S. Treasury Bonds or other authorized securities, and used to redeem the underlying bonds at maturity or call date and to pay interest on the bonds being refunded or the advance refunding bonds.

**ADVERSE OPINION.** An auditor's opinion stating that financial statements do not present fairly financial position, results of operations, and (when applicable) cash flows in conformity with GAAP.

**AGENCY FUND.** A fund used to account for assets held by a government as an agent for individuals, private organizations, other governments, and/or other funds; for example, taxes collected and held by a county for a fire district. The funds may be used for suspense, clearing, or custodial purposes. See the classification of funds in Section 5200.

**AGREED-UPON PROCEDURES.** An engagement where the client specifies procedures and the accountant agrees to perform those procedures. An accountant may accept an engagement limited to applying agreed-upon procedures to financial statement elements, where the scope of the engagement is not sufficient to express an opinion on the elements, if the users assume responsibility for sufficiency of the procedures, and use of the report is restricted to specified users.

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**ALLOCATION.** Distribution according to a plan. Depreciation, amortization, and depletion are methods to allocate a cost to periods benefitted.

**ALLOT.** To divide an appropriation into amounts for certain periods or for specific purposes.

**ALLOTMENT.** Portion of an annual or biennial budget appropriation allocated to an interim period.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS.** A contra-asset account with a credit balance used to reduce the carrying amount of accounts or other receivables to net realizable value. The allowance balance is the estimated total of uncollectible accounts included in the receivable.

**AMORTIZATION.** The allocation of the cost of an intangible asset over its expected useful life. See also DEPRECIATION.

**ANALYTICAL REVIEW.** Term used in connection with auditing. The process of attempting to determine the reasonableness of financial data by comparing their behavior with other financial and nonfinancial data.

**ANNUAL AUDIT.** An audit which embraces all financial transactions and records and which is made regularly at the close of the accounting period. (This, of course, does not mean every transaction will necessarily be examined. The number to be examined will depend on the auditor's judgment in light of the particular conditions encountered. The auditor's opinion, however, will cover all transactions based on the tests which are applied.)

**ANNUAL BUDGET.** A budget approved by the county board applicable to a single fiscal year. See also BUDGET.

**ANNUAL COVERED PAYROLL.** Term used in connection with defined benefit pension plans. All elements included in annual compensation paid to active employees on which contributions to a pension plan are based.

**ANNUAL REQUIRED CONTRIBUTION (ARC).** Term used in connection with defined benefit pension plans. ARC represents the employer's mandated contribution for the year calculated in accordance with certain parameters. The parameters include requirements for the frequency and timing of actuarial valuations as well as for the actuarial methods and assumptions that are acceptable for financial reporting.

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**ANNUITY.** A series of equal money payments made at equal intervals during a designated period of time.

**ANNUITY AMOUNT OF.** The total amount of money accumulated or paid during an annuity period. This total includes compound interest at a designated rate.

**ANNUITY PERIOD.** The designated length of time during which the amount of an annuity is accumulated or paid.

**APPORTIONMENT.** See ALLOTMENT.

**APPRAISE.** To make an estimate of value, particularly of the value of property. If the property is valued for purposes of taxation, the less-inclusive term "assess" is substituted for this term.

**APPROPRIATION.** An authorization granted by the county board to make expenditures and to incur obligations for specific purposes. Note: An appropriation is usually limited in amount and as to the time when it may be expended.

**APPROPRIATION-EXPENDITURE LEDGER.** A subsidiary ledger containing an account for each appropriation. Each account usually shows the amount originally appropriated, transfers to or from the appropriation, amounts charged against the appropriation, the net balance, and other related information.

**ARBITRAGE.** Classically, the simultaneous purchase and sale of the same or an equivalent security in order to profit from price discrepancies. In government finance, the most common occurrence of arbitrage involves the investment of the proceeds from the sale of tax-exempt securities in a taxable money market instrument that yields a higher rate, resulting in interest revenue in excess of interest costs.

**AS-OF-DATE.** This date indicates the financial status of an entity at a certain point in time. An example would be the Statement of Net Assets as of December 31, 20XX.

**ASSESS.** To value property officially for the purpose of taxation.

**ASSESSED VALUATION.** A valuation set upon real estate or other property by a government as a basis for levying taxes.

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**ASSESSMENT.** (1) The process of making the official valuation of property for purposes of taxation. (2) The valuation placed upon property as a result of this process.

**ASSESSMENT (COURTS).** A monetary amount imposed by the court for a law violation.

**ASSESSMENT ROLL.** In the case of real property, the official list containing the legal description of each parcel of property and its assessed valuation. The name and address of the last known owner are also usually shown. In the case of personal property, the assessment roll is the official list containing the name and address of the owner, a description of the personal property, and its assessed value.

**ASSETS.** Resources owned or controlled by a county, as a result of a past transaction or other event, that have a recognizable monetary value.

**AUDIT.** An examination to determine the accuracy and validity of records and reports or the conformity of procedures with established policies. Note: The term “audit” is sometimes applied to the examination of a single transaction; for example, the audit of an invoice, that is, the checking of an invoice and supporting evidence for the purpose of action in the accounts. On the other hand, even such a limited audit involves the examination of documents, records, reports, systems of internal control, and other evidence. See ANNUAL AUDIT, CASH AUDIT, FINANCIAL AND COMPLIANCE AUDIT, INDEPENDENT AUDIT, INTERNAL AUDIT, PERFORMANCE AUDIT, PRE-AUDIT, and SINGLE AUDIT.

**AUDIT COMMITTEE.** A group of individuals, selected by the governing body, having specific responsibility for addressing all issues related to the independent audit of the financial statements.

**AUDIT GUIDES.** A series of AICPA publications that enjoy “level b” status on the hierarchy of authoritative sources of GAAP established by SAS No. 69, *The Meaning of “Present Fairly in Conformity with Generally Accepted Accounting Principles” in the Independent Auditor’s Report*, when they are specific to state and local government and cleared by the GASB.

**AUDIT PROGRAM.** A detailed outline of work done and the procedures applied in any given audit.

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**AUDIT REPORT.** The report by an auditor furnished at the conclusion of internal audits, independent audits, and investigations. As a result, the report would include: (1) a statement of the scope of the audit; (2) explanatory comments or findings (if any) concerning exceptions by the auditor; (3) opinions; (4) financial statements and schedules; and (5) sometimes statistical tables, supplementary comments, and recommendations.

**AUDIT SCOPE.** In the context of a financial statement audit, the coverage provided by the independent auditor's opinion on the financial statements.

**AUDITED VOUCHER.** A voucher which has been examined and approved for payment.

**AUDITOR'S OPINION.** A statement signed by an auditor in which he/she states that he/she has examined the financial statements in accordance with generally accepted auditing standards (with exceptions, if any) and in which he or she expresses an opinion on the financial position and results of operations of some or all of the funds of the government as appropriate. See ADVERSE OPINION, QUALIFIED OPINION, and UNQUALIFIED OPINION,.

**AUDITOR'S REPORT ON INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL REPORTING.** Report issued in conjunction with a financial audit performed in accordance with Generally Accepted Governmental Auditing Standards. In this report, the independent auditor reports on internal control weaknesses and instances of noncompliance discovered in connection with the financial audit but does not offer an opinion on internal controls or compliance.

**AUTHORITY.** A government or public agency created to perform a single function or a restricted group of related activities. Usually such units are financed from service charges, fees, and tolls but, in some instances, they also have taxing powers. An authority may be completely independent of other governments or partially dependent upon other governments for its creation, its financing, or the exercise of certain powers.

**AVAILABILITY CRITERION.** Principle of the modified accrual basis of accounting according to which revenues may only be recognized when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**AVAILABILITY PERIOD.** A specified period immediately following the close of the fiscal year by the end of which cash must be collected for related revenue to be recognized in accordance with the availability criterion of modified accrual accounting.

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**BAIL (COURTS).** An amount of money determined by the judge and posted with the courts as security to ensure the defendant's appearance in court at a specific time.

**BALANCE SHEET.** A statement which discloses the assets, liabilities, reserves, and balances of a fund or governmental unit at a specified date properly classified to exhibit financial position of the fund or unit at that date. See also STATEMENT OF NET ASSETS

**BANK HOLDING COMPANY.** A company that controls one or more banks and may own subsidiaries with operations closely related to banking. When branch banking was severely limited, bank holding statutes allowed banking systems to develop by permitting common ownership of several banks.

**BANKERS' ACCEPTANCES.** Short-term, non-interest-bearing notes sold at a discount and redeemed by the accepting banks at maturity for face value. Bankers' acceptances generally are created based on a letter of credit issued in a foreign trade transaction. [SGAS 31]

**BASIC FINANCIAL STATEMENTS.** The minimum combination of financial statements and note disclosures required for their presentation in conformity with GAAP.

**BASIS DIFFERENCES.** Differences that arise through the employment of a basis of accounting for budgetary purposes that differs from the basis of accounting prescribed by GAAP for a given fund type.

**BASIS OF ACCOUNTING.** The timing of recognition, that is, when the effects of transactions or events should be recognized for financial reporting purposes. For example, the effects of transactions or events can be recognized on an accrual basis (that is, when the transactions or events take place), or on a cash basis (that is, when cash is received or paid). Basis of accounting is an essential part of measurement focus because a particular timing of recognition is necessary to accomplish a particular measurement focus.

**BETTERMENT.** An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset. The term improvement is preferred.

**BLENDING (BLENDED).** The method of reporting the financial data of a component unit that presents the component unit's balances and transactions in a manner similar to the presentation of the balances and transactions of the primary government.

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**BLUE BOOK.** A term commonly used to designate the Government Finance Officers Association's publication *Governmental Accounting, Auditing, and Financial Reporting*.

**BOND.** A written promise to pay a specified sum of money, called the face value or principal amount, at a specified date or dates in the future, called the maturity date(s), together with periodic interest at a specified rate. The difference between a note and a bond is that the latter runs for a longer period of time and requires greater legal formality.

**BOND (COURTS).** An agreement by a party or third party to pay a certain sum of money if the defendant fails to appear in court.

**BOND ANTICIPATION NOTE.** Short-term interest-bearing note issued by a government in anticipation of bond proceeds to be received at a later date. The note is retired from proceeds of the bonds to which it is related.

**BOND DISCOUNT.** The excess of the face value of a bond over the price for which it is sold or acquired. The price does not include accrued interest at the date of sale or acquisition.

**BOND FUND.** A fund formerly used to account for the proceeds of general obligation bond issues. See CAPITAL PROJECTS FUND and DEBT SERVICE FUND.

**BOND ORDINANCE OR RESOLUTION.** An ordinance or resolution authorizing a bond issue.

**BOND PREMIUM.** The excess of the price at which a bond is sold or acquired over its face value. The price does not include accrued interest at the date of sale or acquisition.

**BONDED DEBT.** That portion of indebtedness represented by outstanding bonds.

**BONDS AUTHORIZED AND UNISSUED.** Bonds which have been legally authorized but not issued and which can be issued and sold without further authorization. This term must not be confused with the term "legal debt margin," which represents the difference between the legal debt limit of a government and the debt outstanding against it.

**BONDS ISSUED.** Bonds that have been sold.

**BONDS PAYABLE.** The liability for the face value of bonds issued and unpaid.

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**BOOK VALUE.** Value as shown by books of account. In the case of assets which are subject to reduction by valuation allowances such as depreciation, book value refers to cost or stated value less the appropriate allowance. Sometimes a distinction is made between “gross book value” and “net book value,” the former designating value before deduction of related allowances and the latter after their deduction. In the absence of any modifier, however, the term book value means, net book value.

**BOOK-ENTRY SYSTEM.** A system that eliminates the need for physically transferring bearer-form paper or registering securities by using a central depository facility.

**BOOKS OF ORIGINAL ENTRY.** The record in which the various transactions are formally recorded for the first time, such as the cash receipts journal, the cash disbursements journal, or the general journal. When mechanized bookkeeping methods are used, it may happen that one transaction is recorded simultaneously in several books, some of which may be considered the books of original entry.

**BUDGET.** A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Note: The term “budget” is used in two senses in practice. Sometimes it designates the financial plan presented to the county board for adoption and, at other times, it represents the adopted budget. Therefore, it is usually necessary to specify whether the budget under discussion is preliminary and tentative or whether it has been approved by the board. See ANNUAL BUDGET, CAPITAL BUDGET, and CAPITAL PROGRAM.

**BUDGETARY ACCOUNTS.** Those accounts which reflect budgetary operations and conditions, such as estimated revenues, appropriations, and encumbrances.

**BUDGETARY BASIS OF ACCOUNTING.** The method used to determine when revenues and expenditures are recognized for budgetary purposes.

**BUDGET DOCUMENT.** The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating body. The budget document usually consists of two parts. The first part contains a message from the budget-making authority together with a summary of the proposed expenditures and the means of financing them. The second consists of

schedules supporting the summary. These schedules show in detail the information as to the past years' actual revenues, expenditures, and other data used in making the estimates. In addition to the budget document, an appropriation ordinance or resolution and revenue and borrowing measures will be necessary to put the budget into effect.

**BUDGETARY BASIS OF ACCOUNTING.** The method used to determine when revenues and expenditures are recognized for budgetary purposes.

**BUDGETARY CONTROL.** The control or management of a government or enterprise in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available appropriations and available revenues.

**BUDGETARY REPORTING.** The requirement to present budget-to-actual comparisons in connection with general purpose external financial reporting. Budgetary reporting is required in connection with the basic financial statements for both the general fund and individual major special revenue funds with legally adopted annual budgets. Budgetary reporting also is required within the comprehensive annual financial report to demonstrate compliance at the legal level of control for all governmental funds with legally adopted annual budgets.

**BUILDINGS.** A fixed asset account which reflects the acquisition value of permanent structures used to house persons and property owned by the county. If buildings are purchased or constructed, this account includes the purpose or contract price of all permanent buildings and fixtures attached to and forming a permanent part of such buildings. If buildings are acquired by gift, the account reflects their appraised value at the time of acquisition.

**BUSINESS-TYPE ACTIVITIES.** One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds.

**CAFR.** See COMPREHENSIVE ANNUAL FINANCIAL REPORT.

**CALL.** Actions taken to pay the principal amount of the bonds prior to the stated maturity date, in accordance with the provisions for “call” stated in the proceedings and the bonds.

**CALL PREMIUM.** A dollar amount, usually stated as a percentage of the principal amount called, paid as a “penalty” or a “premium” for the exercise of a call provision for debt.

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**CALLABLE.** Subject to payment of the principal amount (and accrued interest) prior to the stated maturity date, with or without payment of a call premium.

**CALLABLE BOND.** A type of bond which permits the issuer to pay the obligation before the stated maturity date by giving notice of redemption in a manner specified in the bond contract.

**CANCEL SUPPORTING DOCUMENTS.** To mark supporting documents as having been used to support a transaction so the same documents cannot be used as support for a second transaction. An example is stamping vouchers “paid” and marking them with the check number.

**CAPITAL ASSETS.** Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

**CAPITAL BUDGET.** A plan of proposed capital outlays and the means of financing them for the current fiscal period.

**CAPITAL EXPENDITURES.** See CAPITAL OUTLAYS.

**CAPITAL IMPROVEMENT PROGRAM.** See CAPITAL PROGRAM.

**CAPITAL OUTLAYS.** Expenditures which result in the acquisition of or addition to capital assets.

**CAPITAL PROGRAM.** A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program or otherwise. It sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the full resources estimated to be available to finance the projected expenditures.

**CAPITAL PROJECTS FUND.** Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**CAPITAL RESOURCES.** Resources of a fixed or permanent character, such as land and buildings, which cannot ordinarily be used to meet current expenditures.

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**CAPITALIZATION THRESHOLD.** The dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

**CAPPING.** Term used in connection with municipal solid-waste landfills (MSWLF). The cost of final cover expected to be applied near or after the date that the MSWLF stops accepting solid waste. [SGAS 18]

**CASH.** The term, as used in connection with cash flows reporting, includes not only currency on hand, but also demand deposits with banks or other financial institutions. Cash also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the governmental enterprise may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. [SGAS 9]

**CASH AUDIT.** An audit of the cash transactions for a stated period for the purpose of determining that all cash received has been recorded, that all disbursements have been properly authorized and vouched, and that the balance of cash is either on hand or on deposit. A cash audit can be limited from a complete inquiry into all cash transactions (a complete cash audit) to one involving only some of them (a limited cash audit). Such an audit establishes the accountability of the persons responsible for cash.

**CASH BASIS OF ACCOUNTING.** Basis of accounting that recognizes transactions or events when related cash amounts are received or disbursed.

**CASH DISCOUNT.** An allowance received or given if payment is completed within a stated period of time.

**CASH EQUIVALENT.** Term used in connection with cash flows reporting. Short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. For this purpose, original maturity means the original maturity to the entity holding the investment. [SGAS 9]

**CASH WITH FISCAL AGENT.** Deposits with fiscal agents, such as commercial banks, generally for the payment of matured bonds and interest or debt service related to debt refunding.

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**CATEGORICAL AID.** Aid given to a local government that is restricted to a specific purpose.

**CHARACTER CLASSIFICATION.** Expenditure classification according to the periods expenditures are presumed to benefit. The four character groupings are: (a) *current operating expenditures*, presumed to benefit the current fiscal period; (b) *debt service*, presumed to benefit prior fiscal periods as well as current and future periods; (c) *capital outlays*, presumed to benefit the current and future fiscal periods, and (d) *intergovernmental*, when one government transfers resources to another.

**CHART OF ACCOUNTS.** The classification system used by a county to organize the accounting for various funds.

**CHECK.** A bill of exchange drawn on a bank and payable on demand; a written order on a bank to pay on demand a specified sum of money to a named person, to his/her order, or to the bearer out of money on deposit to the credit of the maker. A check differs from a warrant in that the latter is not necessarily payable on demand and may not be negotiable. It differs from a voucher in that the latter is not an order to pay. A voucher-check combines the distinguishing characteristics of a voucher and a check; it shows the propriety of a payment and is an order to pay.

**CHECK REGISTER.** A listing of checks issued, normally in numeric sequence and in order by date issued.

**CIRCUIT BREAKER.** A state-paid property tax refund program for homeowners and renters who have property taxes out of proportion with their income.

**CLASS RATES.** The percent of market value set by state law that establishes the property's tax capacity subject to the property tax.

**CLASSIFIED PRESENTATION.** The separate presentation on the statement of position of the current and long-term portions of assets and liabilities. A classified presentation is required for the proprietary fund statement of net assets.

**CLEARING ACCOUNT.** An account used to accumulate total charges or credits for the purpose of distributing them later among the accounts to which they are allocable or for the purpose of transferring the net difference to the proper accounts.

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**CLOSED AMORTIZATION PERIOD.** Term used in connection with the unfunded actuarial accrued liability associated with defined benefit pension plans. A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period is initially 30 years on a closed basis, 29 years remain after the first year, 28 years after the second year, and so forth. [SGAS 25]

**CLOSED-END MUTUAL FUND.** A SEC-registered investment company that issues a limited number of shares to investors that are then traded as an equity security on a stock exchange. [SGAS 31]

**CLOSING DATE.** The date on which a new issuance of bonds is delivered to the purchaser upon payment of the purchase price and the satisfaction of all conditions specified in the bond purchase agreement.

**CODING.** A system numbering or otherwise designating accounts, entries, invoices, vouchers, etc.

**COLLATERAL.** Term used in connection with deposits with financial institutions. Security pledged by a financial institution to a governmental entity for its deposit. [SGAS 3]

**COMBINING FINANCIAL STATEMENTS.** Financial statements that report separate columns for individual funds or component units. Combining financial statements normally are required in a comprehensive annual financial report to support each column in the basic financial statements that aggregates information from more than one fund or component unit.

**COMMERCIAL PAPER.** An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

**COMMODITIES PROGRAMS.** The distribution of surplus agricultural products as a form of assistance.

**COMPARABILITY.** The principle according to which differences between financial reports should be due to substantive differences in the underlying transactions or the governmental structure rather than due to selection of different alternatives in accounting procedures or practices. [SGAC 1]

**COMPARATIVE DATA.** Information from prior fiscal periods provided to enhance the analysis of financial data of the current fiscal period.

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**COMPARATIVE FINANCIAL STATEMENTS.** Financial statements providing all of the information required by GAAP for two or more fiscal periods.

**COMPLETENESS.** Assertions about completeness deal with whether all transactions and accounts that should be presented in the financial statements are included. For example, county management asserts that all purchases of goods and services are recorded and included in the financial statements. Similarly, management asserts that bonds payable in the balance sheet include all such obligations of the county.

**COMPLIANCE SUPPLEMENT.** Term used in connection with Single Audits. A publication of the U.S. Office of Management and Budget outlining compliance requirements for federal awards programs. The publication is designed to assist independent auditors performing Single Audits.

**COMPONENT UNIT.** A legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. [SGAS 14]

**COMPOSITE DEPRECIATION METHODS.** Depreciation methods applied to groups of assets rather than to individual assets.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR).** A financial report that encompasses all funds and component units of the government. The CAFR should contain: (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. The CAFR is the governmental unit's official annual report and also should contain introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data. The CAFR of a public employee retirement system or an investment pool also should provide information on investments. Likewise, the CAFR of a public employee retirement system should provide actuarial information.

**COMPREHENSIVE FRAMEWORK OF INTERNAL CONTROLS.** A structure of internal controls that provides for: (a) a favorable control environment; (b) the continuing assessment of risk; (c) the design, implementation, and maintenance of effective control-related policies and procedures; (d) the effective communication of information; and (e) the ongoing monitoring of the effectiveness of control-related policies and procedures as well as the resolution of potential problems identified by controls.

**CONDENSED FINANCIAL STATEMENTS.** Abbreviated financial statements sometimes required by GAAP to be presented within the notes to the financial statements in connection with component units, external investment pools, and segments. In addition, GAAP prescribe the presentation of condensed financial information for the prior fiscal year as part of management's discussion and analysis.

**CONDUIT DEBT.** Certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued. [IGAS 2]

**CONNECTION FEES.** Fees charged to join or to extend an existing utility system. Often referred to as tap fees or system development fees.

**CONSISTENCY.** The principle according to which once an accounting principle or reporting method is adopted; it will be used for all similar transactions and events. The concept of consistency in financial reporting extends to many areas such as valuation methods, basis of accounting, and determination of the financial reporting entity. [SGAC 1]

**CONSTRUCTION IN PROGRESS.** A capital asset account reflecting the cost of construction work for projects not yet completed.

**CONSUMPTION METHOD.** The method under which inventories are recorded as expenditures when used. See PURCHASES METHOD.

**CONTINGENT LIABILITIES.** Items which may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending law suits, judgments under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts. All contingent liabilities should be disclosed within the basic financial statements, including the notes thereto.

**CONTINUING APPROPRIATION.** An appropriation which, once established, is automatically renewed without further legislative action, period after period, until altered, revoked, or expended.

**CONTRACTS PAYABLE.** Amounts due on contracts.

**CONTROL.** A policy or procedure that is part of internal control.

**CONTROL ACCOUNT.** An account in the general ledger which summarizes the aggregate of debit and credit postings to a number of identical or related accounts called subsidiary accounts. For example, Taxes Receivable is a control account supported by the aggregate of individual balances in individual property taxpayers' subsidiary accounts. See GENERAL LEDGER and SUBSIDIARY ACCOUNT.

**CONTROL CYCLE.** Term used in connection with the evaluation of internal controls. A series of logically connected transactions/processes and associated control-related policies and procedures.

**CONTROL ENVIRONMENT.** Term used for the attitude, awareness, and actions of the board, management, and others about the importance of control. This includes integrity and ethical rules, commitment to competence, board or audit committee participation, organizational structure, assignment of authority and responsibility, and human resource policies and practices.

**CONTROL POLICIES AND PROCEDURES.** Control activities are the policies and procedures that help ensure management directives are carried out. Those pertinent to an audit include performance reviews, information processing, physical controls and segregation of duties.

**CONTROL RISK.** The risk that material error in a balance or transaction class will not be prevented or detected on a timely basis by internal controls.

**CORRECTION OF ERRORS.** (1) See PRIOR PERIOD ADJUSTMENTS. (2) See REFUND and INTERFUND ACTIVITY.

**COST.** The amount of money or money's worth exchanged for property or services. Note: Costs may be incurred even before money is paid, that is, as soon as a liability is incurred. Ultimately, however, money or money's worth must be given in exchange.

**COST RECORDS.** All ledgers, supporting records, schedules, reports, invoices, vouchers, and other records and documents reflecting the cost of projects, jobs, production centers, processes, operations, products, or services, or the cost of any of the component parts thereof.

**COST-REIMBURSEMENT BASIS.** Term used in connection with internal service funds. The setting of charges so that costs are systematically recovered on a break-even basis over time.

**COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN.** A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer. [SGAS 25]

**COUNTERPARTY.** Term used in connection with custodial credit risk. Another party to a transaction. In the case of deposits and investments made by governmental entities, a counterparty could be the issuer of a security, a financial institution holding a deposit, a broker-dealer selling securities, or a third party holding securities or collateral. [SGAS 3]

**COUPON RATE.** The interest rate specified on interest coupons attached to a bond, also called the nominal interest rate.

**CROSSOVER REFUNDING.** A type of advance refunding in which the escrow established with the proceeds of the refunding bonds only begins to secure repayment of the refunded debt at some designated future time, known as the "crossover date."

**CUMULATIVE EFFECT OF CHANGING TO A NEW ACCOUNTING PRINCIPLE.** This is the effect on fund balance/net assets at the beginning of the current period of implementing or changing to a new accounting principle.

**CURRENT.** A term which, applied to budgeting and accounting, designates the operations of the present fiscal period as opposed to past or future periods.

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**CURRENT ASSETS.** Those assets which are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, short-term investments, and taxes receivable which will be collected within one fiscal year.

**CURRENT BUDGET.** The annual budget prepared for, and effective during, the present fiscal year.

**CURRENT COSTS.** Term used in connection with municipal solid waste landfills. The amount that would be paid if all equipment, facilities, and services included in the estimate of closure and postclosure care costs were acquired during the current period. [SGAS 18]

**CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS.** Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

**CURRENT LIABILITIES.** Liabilities which are payable within a relatively short period of time, usually no longer than a year.

**CURRENT REFUNDING.** A refunding transaction in which the proceeds of the refunding debt are applied immediately to redeem the debt to be refunded. This situation differs from an advance refunding, where the proceeds of the refunding bonds are placed in escrow pending the call date or maturity of the debt to be refunded.

**CURRENT RESOURCES.** Resources which can be used to meet current obligations and expenditures. Examples are current assets, estimated revenues of a particular period not yet realized, transfers from other funds authorized but not received, and in the case of certain funds, bonds authorized and unissued.

**CURRENT REVENUE.** Revenues of a governmental unit which are available to meet expenditures of the current fiscal year. See also REVENUE.

**CUSTODIAL CREDIT RISK.** The risk that a government will not be able (a) to recover deposits if the depository financial institution fails, or (b) to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. [SGAS 3, Q&A]

**CUSTOMER DEPOSITS.** The liability account used in an enterprise fund for deposits made by customers as a prerequisite to receiving services and for goods provided by the fund.

**DATA PROCESSING.** (1) The preparation and handling of information and data to obtain results such as classification, problem solution, summarization, and reports. (2) Preparation and handling of financial information wholly or partially by mechanical or electronic means.

**DATED DATE (OR ISSUE DATE).** The date of a bond issue from which the bondholder is entitled to receive interest, even though the bonds may actually be delivered at some other date.

**DEBT.** An obligation resulting from the borrowing of money or from the purchase of goods or services. See also BOND, LONG-TERM DEBT, and NOTE PAYABLE.

**DEBT LIMIT.** The maximum amount of gross or net debt which is legally permitted.

**DEBT SERVICE FUND.** Governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. [NCGA Statement 1] Also called a SINKING FUND.

**DEBT SERVICE REQUIREMENT.** The amount of money required to pay the interest on outstanding debt, serial maturities of principal for serial bonds, and required contributions to a debt service fund for term bonds.

**DEDUCTION.** Term used in connection with fiduciary funds. Decrease in the net assets of a fiduciary fund.

**DEFEASANCE.** In financial reporting, the netting of outstanding liabilities and related assets on the statement of position. Defeased debt is no longer reported as a liability on the face of the statement of position; only the new debt, if any, is reported as a liability. Most refundings result in the defeasance of the refunded debt. Defeasance also is sometimes encountered in conjunction with annuity contracts purchased in connection with lottery prizes and settlements of claims and judgments.

**DEFERRED CHARGES.** Expenditures which are not chargeable to the fiscal period in which made but are carried on the asset side of the balance sheet pending amortization or other disposition, for example, discount on bonds issued. Note: Deferred charges differ from prepaid expenses in that they usually extend over a long period of time (more than five years) and are not regularly recurring costs of operations. See also PREPAID ITEMS.

**DEFERRED REVENUE.** Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

**DEFERRED SPECIAL ASSESSMENTS.** Special assessments which have been levied but which are not due within one year.

**DEFICIENCY.** A general term indicating the amount by which anything falls short of some requirement or expectation. The term should not be used without qualification.

**DEFICIT.** (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period; or, in the case of proprietary funds, the excess of expense over income during an accounting period.

**DEFINED BENEFIT PENSION PLAN.** A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation. [SGAS 25]

**DEFINED CONTRIBUTION PENSION PLAN.** A pension plan having terms that specify how contributions to a plan member's account are to be determined, rather than the amount of retirement income the member is to receive. The amounts received by a member will depend only on the amount contributed to the member's account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member's account. [SGAS 25]

**DELINQUENT SPECIAL ASSESSMENTS.** Special assessments remaining unpaid on and after the date on which a penalty for nonpayment is attached.

**DELINQUENT TAXES.** Taxes remaining unpaid on and after the date on which a penalty for nonpayment is attached. Even though the penalty may be subsequently waived and a portion of the taxes may be abated or canceled, the unpaid balances continue to be delinquent taxes until abated, canceled, paid, or converted into tax liens.

**DEMAND BONDS.** Long-term debt issuances with demand (“put”) provisions that require the issuer to repurchase the bonds upon notice from the bondholder at a price equal to the principal plus accrued interest. To assure its ability to redeem the bonds, issuers of demand bonds frequently enter into short-term standby liquidity agreements and long-term “take out” agreements. [IGAS 1]

**DEPLETION.** (1) The reduction in quantity of a natural resource (wasting asset), such as coal, standing timber, or a rock quarry. (2) The portion of the cost which is charged as an expense during a particular period. See ALLOCATION, AMORTIZATION, and DEPRECIATION.

**DEPOSIT.** (1) Money or securities placed with a bank or other institution or with a person such as the county treasurer either as a general deposit subject to withdrawal by check or as a special deposit made for some specified purpose. (2) Sums deposited by customers and by contractors and others to accompany and guarantee their bids.

**DEPOSITARY.** A person/entity entrusted with the safekeeping and depositing of assets.

**DEPOSITORY.** A place where assets are deposited for safekeeping.

**DEPRECIATION.** (1) Expiration in the service life of capital assets, other than wasting assets. (2) The portion of the cost of a capital asset other than a wasting asset which is charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

**DERIVATIVE.** Contract whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. The term also is applied to similar transactions, such as structured financial instruments (e.g., mortgage-backed securities). [TB 94-1]

**DERIVED TAX REVENUES.** Nonexchange revenues that result from assessments imposed on exchange transactions (e.g., income taxes, sales taxes, and other assessments on earnings or consumption). [SGAS 33]

**DESIGNATED UNRESERVED FUND BALANCE.** Management's intended use of available expendable financial resources in governmental funds reflecting actual plans approved by the government's senior management. Expressed another way, designations reflect a county's self-imposed limitations on the use of otherwise available expendable financial resources in governmental funds. Designations represent tentative management plans that are subject to change.

**DIRECT COSTING.** Term used in connection with the valuation of capital assets. Use of source data (e.g., invoices) to establish the historical cost of a capital asset.

**DIRECT DEBT.** Debt that is to be repaid by the reporting government itself rather than by an overlapping or underlying government.

**DIRECT EXPENSE.** Expense that is specifically associated with a service, program, or department and, thus, is clearly identifiable to a particular function. [SGAS 34]

**DISALLOWED COSTS.** Claims for grantor resources that have been rejected by the grantor. Disallowed costs are to be distinguished from questioned costs, which are potential disallowed costs that have not yet been rejected by the grantor.

**DISBURSEMENTS.** Payments in cash.

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**DISCLAIMER (DISCLAIM).** A statement that the auditor is unable to express an opinion as to the presentation of financial statements in conformity with accounting principles generally accepted in the United States of America.

**DISCLOSURE.** Revealing information. Financial statement footnotes are one way of providing necessary disclosures.

**DISCOUNT.** (1) Amount (stated in dollars or a percent) by which the selling or purchase price of a security is less than its face amount. (2) Amount by which the amount bid for an issue is less than the aggregate principal amount of that issue.

**DISCRETE PRESENTATION.** Method of reporting financial data of component units in a column or columns separate from the financial data of the primary government. [SGAS 14]

**DISCUSSION MEMORANDUM.** A due-process document issued by the GASB soliciting comments from interested parties on various aspects of a technical issue that is the subject of research by the board.

**DOCUMENT (DOCUMENTARY) (DOCUMENTATION).** Written or printed paper that bears information that can be used to furnish decisive evidence. Could also be a recording, computer readable information, or a photograph.

**DOUBLE ENTRY.** A system of bookkeeping which requires for every entry made to the debit side of an account or accounts, an entry for a corresponding amount or amounts to the credit side of another account or accounts. Note: Double-entry bookkeeping involves the maintaining of a balance between assets and other resources on the one hand and liabilities, other obligations, and surplus on the other. To maintain this balance, it is necessary that entries for equal amounts be made in each group. Moreover, if a transaction affects only one group of accounts (for example, the asset group of accounts), the amount or amounts debited to an account or accounts within the group must be offset by a credit to another account or accounts within the group for a corresponding amount or amounts (for example, a debit to cash would be offset by a credit for a corresponding amount to taxes receivable or some other asset).

**DUE PROCESS.** The procedures followed by the GASB to ensure that the views of all interested parties are solicited and considered prior to issuing an authoritative pronouncement. At a minimum, due process requires that all statements and interpretations be preceded by an exposure draft.

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**EARLY RECOGNITION OPTION.** Term used in connection with debt service funds. The option to recognize an expenditure in the current period in a debt service fund for principal and interest payments due early in the subsequent period. This option is available only in situations involving the nondiscretionary transfer of resources to a debt service fund in the current period for payments due shortly after the end of the fiscal year (i.e, usually within one to several days, and never more than one month later).

**EARNINGS.** See INCOME and REVENUE.

**ECONOMIC RESOURCES MEASUREMENT FOCUS.** Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It also is used by business enterprises and not-for-profit organizations in the private sector.

**EDI.** "Electronic Data Interchange" is the use of communication between an entity and customers or suppliers to transact business electronically. Purchase, shipping, billing, cash receipt, and cash disbursements can be completed entirely by exchanging electronic messages.

**EFFECTIVE DATE.** The date appearing on all documents which indicates the accounting period the transaction affects.

**EFFECTIVE INTEREST RATE.** The rate of earning on an investment based on the actual price paid in contrast with the nominal interest rate. See PRESENT VALUE.

**EFFECTIVENESS.** Term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful at achieving its goals and objectives.

**EFFICIENCY.** Term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful at achieving its goals and objectives with the least use of scarce resources. Efficiency necessarily presupposes effectiveness.

**ELIGIBILITY REQUIREMENTS.** Term used in connection with government-mandated and voluntary nonexchange transactions. Conditions established by the provider of resources stipulating matters such as the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies. [SGAS 33]

**ENCUMBRANCES.** Commitments for unperformed (executory) contracts for goods or services. [NCGA Statement 1]

**ENTERPRISE FUND.** Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services. [SGAS 34]

**ENTITLEMENT.** The amount of payment to which a state or local government is entitled as determined by the federal government pursuant to an allocation formula contained in applicable statutes.

**ENTITY DIFFERENCES.** A difference between the budgetary basis of accounting and GAAP arising because the appropriated budget either includes or excludes organizations, programs, activities, and functions which may or may not be compatible with the criteria defining the governmental reporting entity. [NCGA Interpretation 10]

**ENTRY.** (1) The record of a financial transaction in its appropriate book of account. (2) The act of recording a transaction in the books of account.

**EQUIPMENT.** Physical property of a more or less permanent nature ordinarily useful in carrying on operations, other than land, buildings, or improvements to either of them. Examples are machinery, tools, trucks, cars, and furnishings.

**EQUITY INTEREST.** A financial interest in a joint venture evidenced by the ownership of shares of the joint venture's stock or by otherwise having an explicit, measurable right to the net resources of the joint venture that is usually based on an investment of financial or capital resources by a participating government.

**ESCHEAT.** The reversion of property to a governmental entity in the absence of legal claimants or heirs. The laws of many governmental entities provide that a rightful owner or heir can reclaim escheat property in perpetuity, provided the claimant can establish his or her right to the property. [SGAS 21]

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**ESTIMATED REVENUE.** If the accounts are kept on an accrual basis, this term designates the amount of revenue estimated to accrue during a given period regardless of whether or not it is all to be collected during the period. If the accounts are kept on a cash basis, the term designates the amount of revenues estimated to be collected during a given period. See also REVENUE.

**EXCHANGE TRANSACTIONS.** Transaction in which each party receives and gives up essentially equal values. [SGAS 33]

**EXCHANGE-LIKE TRANSACTION.** Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange. Examples include: certain fees for regulatory or professional licenses and permits; certain tap fees; certain developer contributions; certain grants and donations; and other transactions that, regardless of the label applied to them, are based on an exchange of similar but not equal values. [SGAS 33]

**EXISTENCE.** Assertions about existence deal with whether assets or liabilities exist at a given date. For example, management asserts that inventories in the balance sheet are available for use.

**EXPENDITURE.** Decreases in net financial resources under the current financial resources measurement focus not properly classified as other financing uses. The difference between an expenditure and an expense is a difference in what is being measured. Expenditures measure current outlays (the flow of current resources) while expenses measure total costs (total resources used; also known as capital maintenance). For example, purchases of capital assets (buildings and equipment) and of inventories are expenditures at the date of purchase, because they cause the outflow or the tie-up of current assets. They are not expenses, however, until they are used or used up, because they are still a resource until consumed. Another example is depreciation, which is not an expenditure because no current assets are used when depreciation is incurred, but which is an expense because it allocates the total cost as the depreciable capital asset is used. See MEASUREMENT FOCUS and MODIFIED ACCRUAL BASIS.

**EXPENDITURE-DRIVEN GRANTS.** Government-mandated or voluntary nonexchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as reimbursement grants.

**EXPENSES.** Charges incurred, whether paid or unpaid, for operation, maintenance, and interest, and other charges which are presumed to benefit the current fiscal period. An expense is a use of an asset. Directly using supplies, paying people for work done, or allocating (depreciating) the cost of equipment to the period of benefit are examples of expenses.

**EXPLICIT MEASURABLE EQUITY INTEREST.** Term used in connection with joint ventures. Asset resulting from a stipulation in the joint venture agreement that the participants have a present or future claim to the net resources of the joint venture and setting forth the method to determine the participants' shares of the joint venture's net resources. [SGAS 14]

**EXPOSURE DRAFT.** A due-process document issued by the GASB soliciting comments from interested parties on a proposed authoritative pronouncement.

**EXTERNAL AUDIT.** See INDEPENDENT AUDIT.

**FACE VALUE.** As applied to securities, this term designates the amount of the liability stated in the security document.

**FAIR VALUE.** Term used in connection with the valuation of investments. The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. [SGAS 31]

**FIDELITY BOND.** A written promise to indemnify against losses from theft, defalcation, and misappropriation of public funds by government officers and employees. See also SURETY BOND.

**FIDUCIARY FUNDS.** Funds used to report assets held in a trustee or agency capacity for others and which, therefore, cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. [SGAS 34]

**FILING FEE.** A charge specified in statute for filing an initial document.

**FINAL AMENDED BUDGET.** Term used in connection with budgetary reporting. The original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized. [SGAS 34]

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**FINANCIAL ACCOUNTABILITY.** Term used in connection with the definition of the financial reporting entity. The level of accountability that exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the primary government. [SGAS 14]

**FINANCIAL ACCOUNTING FOUNDATION (FAF).** Not-for-profit organization responsible for overseeing the operations of both the GASB and the FASB.

**FINANCIAL ACCOUNTING STANDARDS ADVISORY COUNCIL (FASAC).** Advisory group that assists the FASB. The FASAC includes representatives of all of the FASB's major constituents.

**FINANCIAL ACCOUNTING STANDARDS BOARD (FASB).** The authoritative accounting and financial reporting standard-setting body for business enterprises and not-for-profit organizations. The FASB is the direct successor of the Committee on Accounting Procedure and the Accounting Principles Board. The GASB and its predecessors have elected to apply a number of the FASB's standards, as well as those of its predecessors, to state and local governments.

**FINANCIAL AND COMPLIANCE AUDIT.** An examination leading to the expression of an opinion on (1) the fairness of presentation of the audited entity's basic financial statements in conformity with GAAP, and (2) the audited entity's compliance with the various finance-related legal and contractual provisions used to assure acceptable governmental organizational performance and effective management stewardship.

**FINANCIAL BENEFIT.** Legal entitlement to, or the ability to otherwise access, the resources of an organization.

**FINANCIAL BURDEN.** All obligation, legal or otherwise, to finance the deficits of, or provide financial support to, an organization, or an obligation in some manner or the debt of an organization.

**FINANCIAL REPORTING ENTITY.** A primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, a joint venture, a jointly-governed organization, or other stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

**FINANCIAL RESOURCES.** Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables and investments). Financial resources also may include inventories and prepaids (because they obviate the need to expend current available financial resources).

**FINANCIAL SECTION.** One of the three basic sections of a comprehensive annual financial report. The financial section is used to present the independent auditor's report on the financial statements, the basic financial statements (including the notes to the financial statements), required supplementary information, combining statements, individual fund statements and schedules, and supplementary information, as needed.

**FINANCIAL STATEMENTS.** See BASIC FINANCIAL STATEMENTS.

**FINDING.** Term used in connection with public-sector auditing. Published communication of internal control weaknesses or instances of noncompliance in connection with an audit conducted in accordance with GAGAS.

**FINE.** A monetary judgment, commonly imposed as a result of conviction for crimes or imposed by the court in a civil case for noncompliance with a court order.

**FISCAL ACCOUNTABILITY.** The responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public moneys in the short term (usually one budgetary cycle or one year). This term is used in contrast to operational accountability. [SGAS 34]

**FISCAL AGENT.** A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due. See also CASH WITH FISCAL AGENT.

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**FISCAL DEPENDENCE.** Term used in connection with the definition of the financial reporting entity. Situation requiring the inclusion of a legally separate entity as a component unit within the financial reporting entity because the governing board of the primary government may arbitrarily override the financial decisions of the legally separate entity regarding: (a) its budget, (b) the levying of taxes or the setting of rates or charges, or (c) the issuance of bonded debt.

**FISCAL DISPARITIES.** A seven-county metropolitan area aid program in which 40 percent of the commercial/industrial tax base of communities forms a pool of aid to metropolitan area communities without that tax base. A similar program is also in use on the Iron Range.

**FISCAL FUNDING CLAUSE.** Term used in connection with capital leases. A clause in a lease agreement that generally provides that the lease is cancelable if the legislature or other funding authority does not appropriate the funds necessary for the government unit to fulfill its obligations under the lease agreement.

**FISCAL PERIOD.** Any period at the end of which a government determines its financial position and results of its operations. See ACCOUNTING PERIOD.

**FISCAL YEAR.** A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and results of its operations.

**FIVE PERCENT CRITERION.** Second of two tests used to determine whether a given governmental fund or enterprise fund must be reported as a major fund in the basic financial statements. This test is applied to the combined total assets, liabilities, revenues, or expenses/expenditures of all governmental and enterprise funds for which the ten percent criterion has been met.

**FIXED ASSETS.** See CAPITAL ASSETS.

**FIXED BUDGETS.** Term used in contrast with flexible budgets. Budgets that embody estimates of specific (fixed) dollar amounts. [NCGA Statement 1]

**FIXED CHARGES.** Expenses, the amount of which is more or less fixed. Examples are interest, insurance, and contributions to pension funds.

**FIXED COUPON REPURCHASE-REVERSE REPURCHASE AGREEMENT.** A repurchase agreement or a reverse repurchase agreement where the parties agree that the securities returned will have the same stated interest rate as, and maturities similar to, the securities transferred. [SGAS 3]

**FIXTURES.** Attachments to buildings which are not intended to be removed and which cannot be removed without damage to the latter. Note: Those fixtures with a useful life presumed to be as long as that of the building itself are considered a part of such building; all others are classed as equipment.

**FLEXIBLE BUDGETS.** Term used in contrast with fixed budgets. Budgets that embody dollar estimates that vary according to demand for the goods or services provided. [NCGA Statement 1]

**FLOW OF CURRENT FINANCIAL RESOURCES.** The measurement focus applied to governmental funds. Under it, only current assets and current liabilities are generally reported on their balance sheets, and their operating statements present “financial flow” information (revenues and expenditures).

**FLOW OF ECONOMIC RESOURCES MEASUREMENT FOCUS.** The measurement focus applied to proprietary and fiduciary funds. All assets and all liabilities whether current or noncurrent are reported on their balance sheets, and their operating statements present “capital maintenance” information (revenues and expenses).

**FORFEITURE.** A penalty by which one loses rights and interest in property, whether because of commission of an offense or because of nonperformance of some obligation or duty.

**FORMULA GRANTS.** Government-mandated or voluntary nonexchange transactions involving the provision of resources based upon established criteria (e.g., number of full-time equivalent students) other than the incurrence of qualifying expenditures.

**FULL FAITH AND CREDIT.** People who are creditors of government are often protected from loss by the full faith and credit of the government. This means that the government will either use future taxes or borrowing to pay off debts.

**FUNCTION.** A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., public safety).

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**FUND.** A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. [NCGA Statement 1]

**FUND ACCOUNTS.** All accounts necessary to set forth the financial operations and financial condition of a fund.

**FUND BALANCE.** The difference between assets and liabilities reported in a governmental fund.

**FUND BALANCE SHEET.** A balance sheet for a single fund. See also BALANCE and FUND SHEET.

**FUND CLASSIFICATIONS.** One of the three categories (governmental, proprietary, and fiduciary) used to classify fund types.

**FUND FINANCIAL STATEMENTS.** Basic financial statements presented on the basis of funds. Term used in contrast with *government-wide financial statements*.

**FUND TYPE.** One of 11 classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

**FUNDAMENTAL ANALYSIS.** A method of estimating the fair value of a security when it is thinly traded or when quoted market prices are not available. Fundamental analysis considers assets, liabilities, operating statement performance, management, and economic environment of the issuer in estimating a fair value. [SGAS 31, Q&A] See MATRIX PRICING.

**FUNDED MANDATE.** Also known as a government-mandated nonexchange transaction. A situation where a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (for example, federal programs that state or local governments are mandated to perform). [SGAS 33]

**GAAFR.** The acronym for *Governmental Accounting, Auditing, and Financial Reporting*, a publication of the Government Finance Officers Association. Also known as the *Blue Book*.

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**GAAP.** See GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

**GAAP HIERARCHY.** An authoritative list of the sources of GAAP. The GAAP hierarchy for state and local governments is set forth in SAS No. 69, *The Meaning of “Present Fairly in Conformity with Generally Accepted Accounting Principles” in the Independent Auditor’s Report.*

**GENERAL ACCOUNTING OFFICE (GAO).** The investigative arm of the U.S. Congress charged with improving the performance and accountability of the federal government. In the context of accounting, auditing, and financial reporting for state and local governments, the GAO is best known for issuing *Government Auditing Standards*, which are the source of GAGAS.

**GENERAL FUND.** The general fund is one of five governmental fund types and typically serves as the chief operating fund of a government. The general fund is used to account for all financial resources, except those required to be accounted for in another fund. [NCGA Statement 1] Sometimes called General Revenue or County Revenue Fund.

**GENERAL JOURNAL.** A journal in which are entered all entries not recorded in special journals. See JOURNAL and SPECIAL JOURNAL.

**GENERAL LEDGER.** A book, file, or other device which contains the accounts needed to reflect the financial position and the results of operations of an entity. In double-entry bookkeeping, the debits and credits in the general ledger are equal. Therefore, the debit balances equal the credit balances.

**GENERAL OBLIGATION BONDS.** Bonds for the payment of which the full faith and credit of the issuing government are pledged. More commonly, but not necessarily, general obligation bonds are considered to be those payable from taxes and other general revenues.

**GENERAL REVENUES.** All revenues that are *not* required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax (e.g., sales tax, property tax, franchise tax, or income tax). All other non-tax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues. [SGAS 34]

**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP).** The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local government are set forth by SAS No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report*.

**GENERALLY ACCEPTED AUDITING STANDARDS (GAAS).** The rules and procedures that govern the conduct of a financial audit. There are ten basic GAAS, classed into three broad categories: general standards, standards of fieldwork, and standards of reporting. The Auditing Standards Board of the AICPA publishes SAS's and related interpretations to comment and expand upon these basic standards.

**GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (GAGAS).** Standards for the conduct and reporting of both financial and performance audits in the public sector. The General Accounting Office promulgates GAGAS through its publication, *Government Auditing Standards*, commonly known as the *Yellow Book*. The basic GAGAS standards are classed into three broad categories: general standards, fieldwork standards, and reporting standards. The general standards of GAGAS apply to both financial audits and performance audits. GAAS establish separate fieldwork and reporting standards for financial audits and performance audits. The fieldwork standards and reporting standards used for financial audits build upon the standards of fieldwork and the standards of reporting of GAAS.

**GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS.** Transactions that occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (e.g., federal programs that state or local governments are mandated to perform). [SGAS 33]

**GOVERNMENT-WIDE FINANCIAL STATEMENTS.** Financial statements that incorporate all of a government's governmental and business-type activities, as well as its nonfiduciary component units. There are two basic government-wide financial statements: the statement of net assets and the statement of activities. Both basic government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Along with the FUND FINANCIAL STATEMENTS comprise the basic financial statements required for counties and other local governments.

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**GOVERNMENTAL ACCOUNTING.** The composite of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of governmental units and agencies.

**GOVERNMENTAL ACCOUNTING STANDARDS ADVISORY COUNCIL (GASAC).** An advisory body established to assist the GASB. The membership of the GASAC represents all major groups with an interest in accounting and financial reporting for state and local governments.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB).** The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the NCGA.

**GOVERNMENTAL ACCOUNTING, AUDITING, AND FINANCIAL REPORTING (GAAFR).** A publication of the Government Finance Officers Association. Also known as the *Blue Book*; various editions have been published since the mid-1930s.

**GOVERNMENTAL ACTIVITIES.** Activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. These activities are usually reported in governmental funds and internal service funds. [SGAS 34]

**GOVERNMENTAL ENTITY.** For accounting and financial reporting purposes, an entity subject to the hierarchy of GAAP applicable to state and local governmental units. The criteria used to distinguish governmental entities from nongovernmental entities are set forth in the AICPA's *Audits of States and Local Governments*.

**GOVERNMENTAL EXTERNAL INVESTMENT POOL.** An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants not being part of the sponsor's reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool. [SGAS 31]

**GOVERNMENTAL FINANCIAL REPORTING MODEL.** The minimum combination of financial statements, note disclosures, and required supplementary information prescribed for state and local governments by the GASB.

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**GOVERNMENTAL FUNDS.** Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

**GRANT.** A type of government-mandated nonexchange transaction involving the contribution of resources by one governmental unit to another unit. The contribution is usually made to aid in the support of a specified function (for example, education) and generally involves eligibility requirements imposed by the contributing government.

**GRANT ANTICIPATION NOTE.** Short-term, interest-bearing note issued by a government in anticipation of a grant to be received at a later date. The note is retired from proceeds of the grant to which it is related.

**GROUPED ASSETS.** Very similar assets acquired at the same time that are treated as a single asset for depreciation purposes. Any gain or loss is deferred until the entire group has been retired. When a single asset is retired from the group, its cost is removed from the asset account and sufficient amounts are removed from the accumulated depreciation account so that there is no gain or loss recognized.

**GUARANTEED INVESTMENT CONTRACT.** A group annuity contract designed to provide guarantees of principal and interest on funds deposited with an insurance company for a specified period.

**HOMESTEAD.** A residence occupied by the owner.

**IMPLEMENTATION GUIDES.** Guidance on the proper implementation of authoritative accounting and financial reporting standards issued by the staff of the GASB. Implementation guides use a question-and-answer format and enjoy “level d” status on the hierarchy of GAAP for state and local governments established by the AICPA's SAS No. 69, *The Meaning of “Present Fairly in Conformity with Generally Accepted Accounting Principles” in the Independent Auditor's Report*.

**IMPOSED NONEXCHANGE REVENUES.** Revenues that result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (e.g., property taxes and fines). [SGAS 33]

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**IMPOSITION OF WILL (IMPOSE ITS WILL).** The ability to significantly influence the programs, projects, activities, or level of services performed or provided by an organization.

**IMPREST (PETTY) CASH ACCOUNT.** An account into which a fixed amount of money or cash equivalent is placed for the purpose of making change or minor disbursements. Advance travel and similar checking accounts and stamp funds are included in this category. Note: Petty cash is sometimes referred to as a “fund;” however, it is actually an asset account, generally of the General Fund.

**IMPROVEMENT.** An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset.

**“IN-RELATION-TO” OPINION.** An indication in the independent auditor's report that the auditor does not render an opinion on the fair presentation per se of certain information contained in the financial report (e.g., combining and individual fund financial statements), but does assert that the information in question is fairly presented in relation to the audited financial statements.

**INCOME.** This term is used in accounting for governmental enterprises and represents the excess of the revenues earned over the expenses incurred in carrying on particular phases of an enterprise’s activities.

**INCURRED BUT NOT REPORTED (IBNR) CLAIMS.** Term used in connection with risk financing. Claims for insured events that have occurred but have not yet been reported to the governmental entity, public entity risk pool, insurer, or reinsurer as of the date of the financial statements. IBNR claims include: (a) known loss events that are expected to be presented later as claims, (b) unknown loss events that are expected to become claims, and (c) expected future development on claims already reported. [SGAS 10]

**INDEPENDENT AUDIT.** An audit performed by an independent auditor.

**INDEPENDENT AUDITOR.** Auditors who are independent, both in fact and appearance, of the entities they audit. Both GAAS and GAGAS set specific criteria that must be met for an auditor to be considered to be independent.

**INDEPENDENT AUDITOR'S REPORT.** The official written communication of the results of an audit. In a financial audit, the independent auditor's report typically will offer (or disclaim) an opinion on whether a set of financial statements is fairly presented in conformity with GAAP (or some other comprehensive basis of accounting).

**INDIRECT EXPENSES.** Expenses that cannot be specifically associated with a given service, program, or department and thus cannot be clearly associated with a particular functional category. [SGAS 34]

**INDIVIDUAL INVESTMENT ACCOUNTS.** An investment service provided by a governmental entity for other legally separate entities that are not part of the same reporting entity. With individual investment accounts, specific investments are acquired for individual entities and the income from and changes in the value of those investments affect only the entity for which they were acquired. [SGAS 3]

**INFRASTRUCTURE.** Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. [SGAS 34]

**IN-SUBSTANCE DEFEASANCE OF DEBT.** A situation that occurs when debt is considered defeased for accounting and financial reporting purposes, even though a legal defeasance has not occurred. When debt is defeased, it is no longer reported as a liability on the face of the statement of position; only the new debt, if any, is reported as a liability. [SGAS 7]

**INTERFUND ACCOUNTS.** Accounts in which transfers between funds are reflected. See INTERFUND ACTIVITY and INTERFUND TRANSFERS.

**INTERFUND ACTIVITY.** Activity between funds of the primary government, including blended component units. Interfund activities are divided into two broad categories: reciprocal and nonreciprocal. Reciprocal interfund activity comprises interfund loans and interfund services provided and used. Nonreciprocal interfund activity comprises interfund transfers and interfund reimbursements.

**INTERFUND LOANS.** Amounts provided between funds and blended component units of the primary government with a requirement for repayment. [SGAS 34]

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**INTERFUND REIMBURSEMENTS.** Repayments from the funds or blended component units of the primary government responsible for particular expenditures or expenses to the funds or blended component units of the primary government that initially paid for them. [SGAS 34]

**INTERFUND SERVICES PROVIDED AND USED.** Sales and purchases of goods and services between funds and blended component units of the primary government for a price approximating their external exchange value. [SGAS 34]

**INTERFUND TRANSFERS.** Flows of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for repayment. [SGAS 34]

**INTERGOVERNMENTAL REVENUE.** Revenue received from other governments in the form of grants, entitlements, shared revenues, or payments in lieu of taxes.

**INTERNAL AUDIT.** An appraisal of the diverse operations and controls within a government entity to determine whether acceptable policies and procedures are followed, established standards are met, resources are used efficiently and economically, and the organization's objectives are being achieved. The term covers all forms of appraisal of activities undertaken by auditors working for and within an organization.

**INTERNAL CONTROL.** Internal control comprises the plan of the organization and all of the coordinate methods and measures adopted within a government to accomplish its objectives. Administrative control includes, but is not limited to, the plan of an organization and the procedures and records that are concerned with the decision processes leading to management's authorization of transactions. Such authorization is a management function directly associated with the responsibility for achieving the objectives of the government and is the starting point for establishing accounting control of transactions.

**INTERNAL CONTROL FRAMEWORK.** An integrated set of policies and procedures designed to assist management to achieve its goals and objectives. To be truly comprehensive, a government's internal control framework must: (a) provide a favorable control environment; (b) provide for the continuing assessment of risk; (c) provide for the design, implementation, and maintenance of effective control-related policies and procedures; (d) provide for the effective communication of information; and (e) provide for the ongoing monitoring of the effectiveness of control-related policies and procedures as well as the resolution of potential problems identified by controls.

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**INTERNAL CONTROL WEAKNESS.** A defect in the design or operation of internal controls. A material weakness is a reportable condition which does not reduce to a relatively low level the risk that material errors or fraud would not be detected in a timely manner by employees in the normal course of their duties.

**INTERNAL FINANCIAL REPORTING.** Financial reporting specifically designed to meet the needs of management.

**INTERNAL SERVICE FUND.** Proprietary fund type that may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. [SGAS 34]

**INTRODUCTORY PARAGRAPH.** The first paragraph of the auditor's standard report which identifies the financial statements audited, states that the financial statements are the responsibility of management, and that the auditor's responsibility is to express an opinion on the financial statements based on the audit.

**INTRODUCTORY SECTION.** The first of three essential components of any comprehensive annual financial report. The introductory section typically provides general information on a government's structure and personnel as well as all information useful in assessing the government's financial condition. The contents of the introductory section normally fall outside the scope of the independent audit of the financial statements.

**INVENTORY.** A detailed list showing quantities, descriptions, and values of property and frequently also units of measure and unit prices.

**INVENTORY OF SUPPLIES.** The cost value of supplies on hand.

**INVESTING ACTIVITIES.** Term used in connection with cash flows reporting. Investing activities include making and collecting loans (except program loans) and acquiring and disposing of debt or equity instruments. [SGAS 9]

**INVESTMENT.** Assets held for the production of revenues in the form of interest, dividends, rentals, or lease payments. The term does not include capital assets used in governmental operations.

**INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT.** One of three components of net assets that must be reported in both government-wide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

**INVESTMENT SECTION.** One of the sections of a comprehensive annual financial report for an investment pool public employee retirement system.

**INVESTMENT TRUST FUNDS.** Fiduciary fund type used to report governmental external investment pools in separately issued reports and the external portion of these same pools when reported by the sponsoring government. [SGAS 34]

**INVITATION TO COMMENT.** A due-process document that may be released by the GASB to solicit the views of interested parties on a topic under study by the board prior to the release of an exposure draft.

**INVOICE.** A bill for services or goods.

**JOINT VENTURE.** A legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest, or (b) an ongoing financial responsibility. Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the joint venture participants directly, or for the benefit of the public or specific service recipients. [SGAS 14]

**JOINTLY-GOVERNED ORGANIZATION.** A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. [SGAS 14]

**JOURNAL.** A book of original entry. Journals provide a chronological history of financial transactions and systematic means by which the transactions can be distributed and summarized for convenient posting to ledger accounts.

**JUDGMENT.** An amount to be paid or collected by a government as the result of a court decision, including a condemnation award in payment for private property taken for public use.

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**LAND.** A fixed asset account which reflects the value of land owned by a governmental unit. If land is purchased, this account shows the purchase price and costs such as legal fees, filling and excavation costs, and the like which are incurred to put the land in condition for its intended use. If land is acquired by gift, the account reflects the appraised value at the time of acquisition.

**LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS.** Costs incurred to provide for the protection of the environment that occur near or after the date that a municipal solid waste landfill stops accepting solid waste and during the postclosure period. Closure and postclosure care costs include the cost of equipment and facilities (e.g., leachate collection systems and final cover) as well as the cost of services (e.g., postclosure maintenance and monitoring costs). [SGAS 18]

**LAPSE.** As applied to appropriations, this term denotes the automatic termination of an appropriation. Except for continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

**LAPSE PERIOD.** A specified time at the beginning of a given budget period during which encumbrances outstanding at the end of the prior budget period may be liquidated using the prior year's budgetary authority. Many governments avoid the use of a lapse period by automatically appropriating as part of each new budget an amount sufficient to cover encumbrances outstanding at the end of the prior budget period.

**LEASE-PURCHASE AGREEMENT.** Contractual agreements which are termed "leases," but which in substance amount to purchase contracts.

**LEASEHOLD.** The right to the use of real estate by virtue of a lease, usually for a specified term of years, for which consideration is paid.

**LEDGER.** A group of accounts in which are recorded the financial transactions of an entity.

**LEGAL DEBT LIMIT.** See DEBT LIMIT.

**LEGAL DEBT MARGIN.** The excess of the amount of debt legally authorized over the amount of debt outstanding.

**LEGAL DEFEASANCE.** A situation that occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. When debt is defeased, it is no longer reported as a liability on the face of the statement of position; only the new debt, if any, is reported as a liability. [SGAS 7]

**LEGAL LEVEL OF BUDGETARY CONTROL.** The level at which a government's management may not reallocate resources without special approval from the legislative body.

**LEGAL OPINION.** (1) The opinion of an official authorized to render it, such as an attorney general or county attorney, as to legality. (2) In the case of county bonds, the opinion, usually of a specialized bond attorney, as to the legality of a bond issue. A preliminary legal opinion is made in advance of the original sale of the bonds; a final opinion, after the bonds have been issued and sold.

**LENT SECURITIES.** The securities lent by the lender to the borrower in a securities lending transaction. Also referred to as underlying securities. [SGAS 28]

**LEVEL (1-4) GUIDANCE.** In the context of the hierarchy of GAAP for state and local governments, a reference to the relative authority of a given source of GAAP guidance.

**LEVEL OF EFFORT REQUIREMENTS.** A requirement that a grant recipient not use grant resources to reduce its own participation in a given program or activity.

**LEVY.** Verb: To impose taxes, special assessments, or service charges for the support of governmental activities. Noun: The total amount of taxes, special assessments, or service charges imposed by a government.

**LIABILITIES.** Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date. This term does not include encumbrances.

**LIEN DATE.** For property (ad valorem) taxes, the date when an enforceable legal claim to taxable property arises. Generally, the lien date is specified in the relevant enabling legislation. Many governments use the term lien date even though a lien is not formally placed on the property at that date. Alternatively, the term assessment date is used to describe this same date. [SGAS 33]

**LOAN PREMIUM OR FEE.** Term used in connection with securities lending arrangements. Payments from the borrower to the lender as compensation for the use of the underlying securities when the borrower provides securities or letters of credit as collateral. [SGAS 28]

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**LOCAL TAX RATE.** The rate used to compute property taxes for each parcel of property. Local tax rate is computed by dividing the certified levy by the taxable tax capacity.

**LONG-TERM DEBT.** Debt with a maturity of more than one year after date of issuance.

**MAINTENANCE.** Activities that ensure that the right-of-way and each type of roadway, roadway structure, and facility remain, as nearly as practical, in its original, as constructed condition or its subsequent improved condition.

**MAJOR FUND.** A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least ten percent of corresponding totals for all governmental or enterprise funds for the same item. Any other government or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users. [SGAS 34]

**MAJOR PROGRAM.** Term used in the context of Single Audits. As part of the Single Audit, the independent auditor must gain an understanding of internal controls over compliance for each major federal award program and then test those controls. In addition, the independent auditor must render an opinion on whether the government complied with laws, regulations, and provisions of contracts or grant agreements that could have a direct and material effect on each major federal award program.

**MANAGEMENT LETTER.** A term used in connection with the independent audit of the financial statements. A formal communication by the auditor to management that focuses on internal control weaknesses discovered in the course of the audit of the financial statements. A management letter typically would be redundant in an audit conducted in accordance with GAAS, which require that the independent auditor publish internal control weaknesses and instances of noncompliance in conjunction with a format report on internal controls and compliance. The management letter, as just described, should be distinguished from the management representation letter. The latter is a communication by management to the independent auditor in which management takes formal responsibility for the fair presentation of the financial statements and makes certain specific representations regarding their contents.

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**MANAGEMENT REPRESENTATION LETTER.** A letter addressed to the auditor, signed by the client's chief executive officer and chief financial officer. During an audit, management makes many representations to the auditor. Written representations from management in the letter confirm oral representations given to the auditor, document the continuing appropriateness of such representations, and reduce the possibility of misunderstanding. See REPRESENTATION.

**MANAGEMENT'S DISCUSSION AND ANALYSIS.** A component of required supplementary information used to introduce the basic financial statements and provide an analytical overview of the government's financial activities. [SGAS 34]

**MARKET VALUE.** An assessor's estimate of what property would be worth on the open market if sold. The market value is set on January 2 of the year before taxes are payable.

**MATCHING REQUIREMENT.** A requirement that a grant recipient contribute resources to a program that equal or exceed a predetermined percentage of amounts provided by the grantor.

**MATERIAL WEAKNESS.** A reportable condition (internal control weakness) of such magnitude that it could potentially result in a material misstatement of the financial statements.

**MATERIALITY.** The magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgement of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. The objective of accountability in governmental financial reporting adds another perspective to materiality. Specifically, accountability requires materiality to be judged not only in a quantitative manner, but also in a qualitative manner. That is, accountability involves such issues as legal and contractual compliance that may not have a "material" effect on the entity's reported operating results and financial position but that would influence or change the judgment of a reasonable person about how the government has conducted its affairs during the period. [SGAS 11]

**MATRIX PRICING.** A method of estimating the fair value of a security when it is thinly traded or when quoted market prices are not available. Matrix pricing estimates a security's fair value by considering coupon interest rates, maturity, credit rating, and market indexes as they relate to the security being valued and to similar issues for which quoted prices are available. [SGAS 31, Q&A] See FUNDAMENTAL ANALYSIS.

**MATURITY DATE.** The stated date on which all or a portion of the principal amount of a security is due and payable.

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**MEASUREMENT FOCUS.** The objective of a measurement; that is, what is being expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering not only which resources are measured (e.g., financial or economic resources), but also when the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

**MODIFIED ACCRUAL BASIS.** The basis of accounting under which expenditures are recorded at the time liabilities are incurred and revenues are recorded when received, except that selected revenues are recorded when earned. The selected revenues should be material and must properly reflect the matching of expenditures, if applicable. [NCGA Statement 1] See AVAILABILITY CRITERION.

**MODIFIED APPROACH.** The election not to depreciate infrastructure assets that are part of a network or subsystem of a network that meet two specific requirements. First, the government manages the eligible infrastructure assets using an asset management system that has certain specified characteristics; second, the government documents that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. [SGAS 34]

**MONEY MARKET INVESTMENT.** A short-term, highly liquid debt instrument, including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Asset-backed securities, derivatives, and structured notes are not included in this term. [SGAS 31]

**MULTI-PURPOSE GRANTS.** Term used in connection with the identification of program revenues. Grants intended to finance activities reported in different functional categories in the government-wide statement of activities. Multi-purpose grants that do not provide for specific identification of the programs and amounts should be reported as general revenues. [SGAS 34]

**MUNICIPAL BOND.** A bond issued by a state or local government.

**MUNICIPAL FINANCE OFFICERS ASSOCIATION.** Original name of the Government Finance Officers Association of the United States and Canada.

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**MUNICIPAL SOLID WASTE LANDFILL.** A discrete area of land or an excavation that receives household waste, and that is not a land application unit, surface impoundment, injection well, or waste pile, as those terms are defined in regulations of the Environmental Protection Agency. It may also receive other types of Resource Conservation and Recovery Act Subtitle D wastes, such as commercial solid waste, nonhazardous sludge, and industrial solid waste. The term municipal indicates the primary type of solid waste received by the landfill, not its ownership. [SGAS 18]

**NATIONAL ADVISORY COUNCIL ON STATE AND LOCAL BUDGETING (NACSLB).** A working group created by eight public-sector organizations to establish a comprehensive framework for public-sector budgeting that could be used by state and local governments as an ideal against which to measure and improve the quality of their own budget practices. The Government Finance Officers Association has formally recommended the NACSLB's guidelines to its members.

**NATIONAL COMMITTEE ON MUNICIPAL ACCOUNTING (NCMA).** A committee of the Municipal Finance Officers Association that served as the authoritative accounting and financial reporting standard-setting body for local governments prior to 1946. The NCMA was one of the predecessors of the GASB.

**NATIONAL COMMITTEE ON GOVERNMENTAL ACCOUNTING (NCGA).** A committee of the Municipal Finance Officers Association that served as the authoritative accounting and financial reporting standard-setting body for local governments from the late 1940's until the establishment the National Council on Governmental Accounting in the 1970's.

**NEGOTIABLE CERTIFICATES OF DEPOSIT.** Transferable certificates of deposit. Because they are transferable, negotiable certificates of deposit are subject to custodial credit risk.

**NET ASSETS.** Reported on the government-wide financial statements and the proprietary funds financial statements. The difference between a government's assets and its liabilities in the statement of net assets (and statement of fund net assets) is its net assets. Net assets should be displayed in three components: invested in capital assets, net of related debt; restricted (distinguishing between major categories of restrictions); and unrestricted.

**NET BOOK VALUE.** See BOOK VALUE.

**NET COST.** Term used in the context of the government-wide statement of activities. The difference between functional expenses and program revenues.

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**NET GENERAL OBLIGATION DEBT.** General obligation debt reduced by amounts being paid with other than general resources (e.g., general obligation debt associated with proprietary funds and special assessment debt), as well as amounts available in sinking funds for debt repayment.

**NET INCOME.** A term used in accounting for proprietary funds to designate the excess of total revenue over total expenses for an accounting period. (Also called Net Profit.)

**NET PENSION OBLIGATION.** Term used in connection with defined benefit pension plans. The cumulative difference between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition to SGAS 27, and excluding (a) short-term differences, and (b) no-commitment special assessment debt. Special assessment debt that is secured solely by liens on assessed properties and resources provided from bond proceeds and is not backed by either the full faith and credit of the government or by any other type of general government commitment. [SGAS 27]

**NO-COMMITMENT SPECIAL ASSESSMENT DEBT.** Special assessment debt that is secured solely by liens on assessed properties and resources provided from bond proceeds and is not backed by either the full faith and credit of the government or by any other type of general government commitment.

**NONCAPITAL FINANCING ACTIVITIES.** Term used in connection with cash flows reporting. Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. This category includes proceeds from all borrowings (such as revenue anticipation notes) not clearly attributable to acquisition, construction, or improvement of capital assets, regardless of the form of the borrowing. Also included are certain other interfund and intergovernmental receipts and payments. [SGAS 9]

**NONEXCHANGE TRANSACTIONS.** A transaction in which a government (including the federal government, as a provider) either gives value (benefit) to another party without directly receiving equal value in exchange or receives value (benefit) from another party without directly giving equal value in exchange. [SGAS 33]

**NONFINANCIAL ASSETS.** A term used in connection with the current financial resources measurement focus and the modified accrual basis of accounting. Assets that are expected to be used in the provision of goods or services rather than converted to cash. Financial statement preparers have the option of treating prepaid items and inventories of supplies as either a financial asset (consumption method) or as a nonfinancial asset (purchases method).

**NONOPERATING INCOME.** See NONOPERATING REVENUES AND EXPENSES.

**NONOPERATING REVENUES AND EXPENSES.** A term used in connection with the proprietary fund statement of revenues, expenses, and changes in net assets. Revenues and expenses not qualifying as operating items, which typically include interest revenue and expense, taxes, and grants that are not equivalent to contracts for services.

**NONPARTICIPATING INTEREST-EARNING INVESTMENT CONTRACTS.** Investment contracts whose value is not affected by market (interest rate) changes (e.g., nonnegotiable certificates of deposit with redemption terms that do not consider market rates). This definition excludes investment contracts that are negotiable or transferable, or whose redemption value considers market rates. [SGAS 31]

**NONRECIPROCAL INTERFUND ACTIVITY.** The internal counterpart to nonexchange transactions. This category includes both interfund transfers and interfund reimbursements. [SGAS 34]

**NORMAL COSTING.** Term used in connection with the valuation of capital assets. Estimate of historical cost based on current cost of reproduction new indexed by a reciprocal factor of the price increase of a specific item or classification from the appraisal date to the estimated date of acquisition. That is, the historical cost of an asset is estimated by taking the value of acquiring the asset new today and then discounting that amount by an appropriate inflation factor back to the date of acquisition.

**NORMALLY.** Term used in connection with the application of the modified accrual basis of accounting to certain long-term liabilities. Specifically, certain accrued liabilities are recognized as expenditures in governmental funds only when they are *normally* expected to be liquidated with current available financial resources (e.g., compensated absences, claims and judgments, special termination benefits, and landfill closure and postclosure care costs). For this purpose, the term *normally* should be interpreted from the perspective of the practice of state and local governments.

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**NOTE PAYABLE.** In general, an unconditional written promise signed by the maker to pay a certain sum of money on demand or at a fixed or determinable future time either to the bearer or to the order of a person designated therein.

**NOTE RECEIVABLE.** An unconditional written promise, signed by the maker, to pay a certain sum in money on demand or at a fixed or determinable future time either to the bearer or to the order of a person designated therein. The note may be held by the reporting governmental unit as designated payee or by endorsement.

**NOTES TO THE FINANCIAL STATEMENTS.** The summary of significant accounting policies and other disclosures required for a fair presentation of the basic financial statements of an entity in conformity with GAAP which are not included on the face of the basic financial statements themselves. The notes to the financial statements are an integral part of the basic financial statements.

**NUMBER OF FUNDS PRINCIPLE.** The principle that only the minimum number of funds consistent with legal and operating requirements should be established, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration. [NCGA Statement 1]

**OBJECT.** A term used in connection with the classification of expenditures. The article purchased or the service obtained, rather than the purpose for which the article or service was purchased or obtained (e.g. personal services, contractual services, materials, and supplies).

**OBLIGATED IN SOME MANNER.** Term used in connection with special assessment debt and the determination of the financial reporting entity. A government is obligated in some manner for debt if: (a) it is legally obligated to assume all or part of the debt in the event of default, or (b) the government may take certain actions to assume secondary liability for all or part of the debt--and the government takes, or has given indications that it will take, those actions. Stated differently, the phrase obligated in some manner is intended to include all situations other than those in which: (a) the government is prohibited (by constitution, charter, statute, ordinance, or contract) from assuming the debt in the event of default, or (b) the government is not legally liable for assuming the debt and makes no statement, or gives no indication, that it will, or may, honor the debt in the event of default. [SGAS 6]

**OBLIGATIONS.** Amounts which the county may be legally required to meet out of its resources. This includes not only actual liabilities but also unliquidated encumbrances. Assertions about obligations deal with whether liabilities are obligations of the entity at a given date. For example, management asserts that amounts capitalized for leases in the balance sheet represent the cost of the entity's rights to leased property and that the corresponding lease liability represents an obligation of the entity.

**OBSOLESCENCE.** The decrease in the value of capital assets resulting from economic, social, technological, or legal changes.

**OCCURRENCE.** Assertions about occurrence deal with whether recorded transactions have occurred during a given period. For example, management asserts that sales in the operating statement represent the exchange of goods or services with customers for cash or other consideration.

**OFFICE OF MANAGEMENT AND BUDGET (OMB).** An agency of the federal government with regulatory oversight of Single Audits. In fulfillment of this responsibility, the OMB has issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**ON-BEHALF PAYMENTS OF FRINGE BENEFITS AND SALARIES.** Direct payments made by one entity (the paying entity or paying government) to a third-party recipient for the employees of another, legally separate entity (the employer entity or employer government). They include payments made by governmental entities on behalf of nongovernmental entities and payments made by nongovernmental entities on behalf of governmental entities, and may be made for volunteers as well as for paid employees of the employer entity. [SGAS 24]

**OPEN AMORTIZATION PERIOD.** Term used in connection with defined benefit pension plans. An open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, 30 years), the period may increase, decrease, or remain stable. [SGAS 25]

**OPEN-END MUTUAL FUNDS.** An open-end mutual fund is one that continuously offers its shares for sale to the public, compared with a closed-end company, which may issue only a limited number of shares. Mutual funds generally do not issue share certificates; instead, they send out periodic statements showing deposits, withdrawals, and dividends credited to the investor's account. [SGAS 3]

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**OPERATING ACTIVITIES.** Term used in connection with cash flows reporting. Operating activities generally result from providing services and producing and delivering goods and include all transactions and other events that are not defined as capital and related financing, noncapital financing, or investing activities. [SGAS 9]

**OPERATING BUDGET.** A plan of proposed operating expenditures and the means of financing them for the current fiscal period.

**OPERATING EXPENSES.** Proprietary fund expenses which are directly related to the fund's primary service activities.

**OPERATING REVENUES AND EXPENSES.** Term used in connection with the proprietary fund statement of revenues, expenses, and changes in net assets. The term is not defined as such in the authoritative accounting and financial reporting standards, although financial statement preparers are advised to consider the definition of operating activities for cash flows reporting in establishing their own definition. [SGAS 34]

**OPERATIONAL ACCOUNTABILITY.** Government's responsibility to report the extent to which they have met their operating objectives efficiently and effectively, using all resources available for that purpose, and whether they can continue to meet their objectives for the foreseeable future. [SGAS 34]

**OPINION PARAGRAPH.** The paragraph in the auditor's report that expresses the auditor's conclusions. The wording of the standard, unqualified opinion paragraph is: "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of XYZ County as of December 31, year, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America."

**OPTION-ADJUSTED SPREAD MODELS.** A method of estimating the fair value of an option when it is thinly traded or when quoted market prices are not available. Such models measure the spread provided from a security that is an option or includes an option. Using a benchmarked yield curve, separate cash flows are discounted according to their maturity. The result is a spread when compared to yields for risk-free investments. [SGAS 31, Q&A]

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**OPTION CONTRACT.** A contract giving the buyer (owner) the right, but not the obligation, to purchase from (call option) or sell to (put option) the seller (writer) of the contract a fixed number of items (such as shares of equity securities) at a fixed or determinable “strike” price on a given date or at any time on or before a given date. [SGAS 31]

**OPTION-PRICING MODELS.** A method of estimating the fair value of an option when it is thinly traded or when quoted market prices are not available. Under one such model (i.e., the Black-Scholes model) consideration is given to a security's return, the-risk free interest rate, the time remaining until the option expires, and the relationship of the underlying security's price to the strike price of the option. [SGAS 31, Q&A]

**ORGANIZATION.** An administrative or functional structure whose purpose is to accomplish defined results. The term may refer to an agency, department, division, section, unit, etc.

**ORIGINAL BUDGET.** The first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law. For example, a legal provision may require the automatic rolling forward of appropriations to cover prior-year encumbrances. [SGAS 34]

**OTHER FINANCING SOURCE.** An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the other financing sources category is limited to items so classified by GAAP.

**OTHER FINANCING USE.** A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the other financing uses category is limited to items so classified by GAAP.

**OTHER POST-EMPLOYMENT BENEFITS (OPEB).** Post-employment benefits provided by an employer to plan participants, beneficiaries, and covered dependents through a plan or other arrangement that is separate from a plan to provide retirement income. OPEB also include post-employment health care benefits provided through a public employee retirement system or pension plan. In addition to post-employment health care benefits (such as illness, dental, vision, and hearing), OPEB may include, for example, life insurance, disability income, tuition assistance, legal services, and other assistance programs. [SGAS 12]

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**OTHER SOURCES OF GAAP.** Potential sources of accounting and financial reporting guidance that may be used in the absence of authoritative guidance on one of the four levels of the hierarchy of GAAP for state and local governments set forth in SAS No. 9, *The Meaning of “Present Fairly in Conformity with Generally Accepted Accounting Principles” in the Independent Auditor’s Report*. Examples of other sources of GAAP for state and local governments include concepts statements of the GASB, pronouncements of the FASB that are not authoritative for government, professional publications, textbooks, and position papers of professional organizations. GASB Concepts Statements take precedence as another source of GAAP.

**OUTCOME MEASURES.** Term used in connection with service efforts and accomplishments reporting. Indicators that measure accomplishments or results that occur (at least partially) because of services provided. Results also include measures of public perceptions of outcomes. [SGAC 2]

**OUTLAY.** Synonymous with EXPENDITURE. See also CAPITAL OUTLAYS.

**OUTPUT MEASURES.** Term used in connection with service efforts and accomplishments reporting. Indicators that measure the quantity of services provided. Output measures include both measures of the quantity of service provided and measures of the quantity of service provided that meets a certain quality requirement. [SGAC 2]

**OVERHEAD.** All costs other than direct costs. Specifically, those elements of cost necessary to produce an article or perform a service for which the amount applicable to the product or service cannot be determined accurately or readily. Usually they relate to those objects of expenditure which do not become an integral part of the finished product or service such as rent, heat, light, supplies, management, supervision, etc.

**OVERLAPPING DEBT.** Proportionate share that property within a government must bear of the debts of other local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by: (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessments receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

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**OVERLAPPING GOVERNMENTS.** All local governments located wholly or in part within the geographic boundaries of the reporting government.

**PARTICIPATING INTEREST-EARNING INVESTMENT CONTRACTS.** Interest-earning investment contracts whose value is affected by market (interest rate) changes (e.g., contracts that are negotiable or transferable, or whose redemption value considers market rates). [SGAS 31]

**PASSENGER FACILITIES CHARGES (PFC's).** A fixed fee authorized by the Federal Aviation Administration that airports may impose on each departing passenger for use in eligible construction projects or for related debt service. This charge is collected by whoever sells the ticket and then remitted to the airport.

**PASS-THROUGH GRANTS.** Grants and other financial assistance received by a governmental entity to transfer or to spend on behalf of a secondary recipient. [SGAS 24]

**PASS-THROUGH RESOURCES.** Resources that are received by a recipient government to transfer to or spend on behalf of a secondary recipient, government, or others, in accordance with legal or contractual provisions. See PASS-THROUGH GRANTS.

**PAY-AS-YOU-GO BASIS.** A term used to describe the financial policy of a government which finances all of its capital outlays from current revenues rather than by borrowing. A government which pays for some improvements from current revenues and others by borrowing is said to be on a partial or modified pay-as-you-go basis.

**PAYMENT IN LIEU OF TAXES.** A payment that a property owner not subject to taxation makes to a government to compensate it for services that the property owner receives that normally are financed through property taxes.

**PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS.** A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. [SGAS 34]

**PENSION COST.** A measure of the periodic cost of any employer's participation in a defined benefit pension plan. [SGAS 27]

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**PENSION OBLIGATIONS BONDS.** Bonds issued by employers to finance one or more elements of their pension obligation to employees. Pension obligation bonds may be used, for example, to provide funds for one or more of the following purposes: to reduce or eliminate the employer's net pension obligation, to pay the employer's annual required contribution for the year, or to reduce or eliminate the plan's unfunded actuarial accrued liability.

**PENSION PLAN.** An arrangement for the provision of pension benefits in which all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of the plan. [SGAS 25]

**PENSION-RELATED DEBT.** All long-term liabilities of an employer to a pension plan, the payment of which is not included in the annual required contributions of a sole or agent employer or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer plan. [SGAS 27]

**PENSION TREND DATA.** Actuarially based data over time concerning the funding progress of a defined benefit pension plan and employers' actual and annual required contributions to the plan.

**PERFORMANCE AUDIT.** Auditing designed to evaluate the effectiveness or efficiency of an organization, program, or activity.

**PERFORMANCE MEASUREMENT.** Commonly used term for service efforts and accomplishments reporting.

**PERMANENT FUNDS.** A governmental fund type (fiduciary-like in nature) used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs--that is, for the benefit of the government or its citizenry.

**PERPETUAL INVENTORY.** A system whereby the inventory of units of property at any date may be obtained directly from the records without resorting to an actual physical count. A record is provided for each item or group of items to be inventoried and is so divided as to provide a running record of goods ordered, received, and withdrawn, and the balance on hand, in units and frequently also in value.

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**PERSPECTIVE DIFFERENCES.** Differences between the budgetary basis of accounting and GAAP that result when the structure of financial information used for GAAP financial reporting differs from the structure of financial information used for budgetary purposes. [NCGA Interpretation 10]

**PETTY CASH.** A sum of money set aside on an imprest basis for the purpose of making change or paying small obligations for which the issuance of a formal voucher and warrant would be too expensive and time consuming. Petty cash accounts are sometimes referred to as petty cash “funds.” However, they are not “funds” in the sense of governmental accounting fund types. Petty cash accounts should be reported as assets of the fund of ownership. See IMPREST (PETTY) CASH ACCOUNT.

**POLICYHOLDER DIVIDENDS.** Term used in connection with public-entity risk pools. Payments made or credits extended to the insured by the insurer, usually at the end of a policy year, that result in reducing the net insurance cost to the policyholder. These dividends may be paid in cash to the insured or applied by the insured to reduce premiums due for the next policy year. [SGAS 10]

**POPULAR ANNUAL FINANCIAL REPORTING.** Supplementary financial reporting designed to meet the special needs of interested parties who are either unable or unwilling to use the more detailed financial information provided in traditional comprehensive annual financial reports.

**POST-AUDIT.** An examination of financial transactions that have been consummated or those in various stages of completion at the end of an accounting period. See PRE-AUDIT.

**POST-EMPLOYMENT HEALTHCARE BENEFITS.** Medical, dental, vision, and other health-related benefits provided to terminated employees, retired employees, dependents, and beneficiaries. [SGAS 26]

**POSTING.** The act of transferring to an account in a ledger the data, either detailed or summarized, contained in a book or document of original entry.

**POTENTIALLY MISLEADING TO EXCLUDE.** Term used in connection with defining the financial reporting entity. Basis for including a legally separate entity within the financial reporting entity even though that separate entity does not meet either of the normal criteria for inclusion as a component unit (i.e., board appointment or fiscal dependency).

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**PRE-AUDIT.** An examination of financial transaction prior to their completion.

**PRELIMINARY PROJECT STAGE.** Term used in connection with computer software developed or obtained for internal use. Costs incurred prior to the development stage of computer software (e.g., the conceptual formulation of alternatives, the evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives).

**PRELIMINARY VIEWS.** A due-process document issued by the GASB soliciting comments from interested parties on a proposed authoritative pronouncement prior to the issuance of an exposure draft.

**PREMIUM DEFICIENCY.** Term used in connection with public-entity risk pools. A situation that occurs if the sum of expected claims costs (including incurred but not reported claims) and all expected claim adjustment expenses, expected dividends to policyholders or pool participants, and unamortized acquisition costs exceeds related unearned premiums. [SGAS 30]

**PREPAID ITEMS.** An asset account reflecting charges entered in the accounts for benefits not yet received. Prepaid items differ from deferred charges in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operations. Examples of prepaid items are prepaid rent, prepaid interest, and unexpired insurance premiums. An example of a deferred charge is unamortized discounts on bonds sold.

**PRESENT VALUE.** The sum of future payments or receipts discounted to the current date at an appropriate rate of interest. Usually the present value can be considered equivalent to the cash price that would be paid for an item on delivery or the principal or face amount of an investment or debt exclusive of interest. However, when an item is purchased on credit and no interest rate is stated, or when an investment is bought or sold at a premium or discount, or when a debt is incurred and the cash proceeds are not the same as the face amount of the debt, computation of present value may be required.

**PRESENTATION.** Assertions about presentation deal with whether particular financial statement components are properly classified and described. For example, management asserts that long-term liabilities in the balance sheet will not mature in one year. Similarly, management asserts that extraordinary items in the operating statement are properly classified and described.

**PRESERVATION.** Specialized maintenance activities that serve to extend the originally estimated life of each type of roadway, roadway structure, and facility but do not increase its traffic flow capacity and efficiency.

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**PRIMARY GOVERNMENT.** Term used in connection with defining the financial reporting entity. A state government or general purpose local government. Also, a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. The primary government is the focus of the financial reporting entity. [SGAS 14]

**PRIMARY USERS OF GENERAL-PURPOSE EXTERNAL FINANCIAL REPORTS.** Those groups of financial statement users whose needs guide the development of GAAP. For state and local governments, the primary users of general-purpose external financial reports are: (a) those to whom government is primarily accountable (the citizenry), (b) those who directly represent the citizens (legislative and oversight bodies), and (c) those who lend or who participate in the lending process (investors and creditors). [SGAC 1]

**PRIOR PERIOD ADJUSTMENTS.** The adjustment, usually of beginning fund balance or net assets, of previously reported financial statements to correct errors in those financial statements from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared. [APB 20]

**PRIVATE-PURPOSE TRUST FUNDS.** A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments. [SGAS 34]

**PROGRAM.** Group activities, operations, or organizational units directed to attaining specific purposes or objectives.

**PROGRAM LOAN.** Term used in connection with cash flows reporting. A loan made and collected as part of a governmental program that provides a direct benefit to individual constituents. [SGAS 9, Q&A]

**PROGRAM REVENUE.** Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues. [SGAS 34]

**PROJECTED UNIT CREDIT ACTUARIAL COST METHOD.** A method under which the projected benefits of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years. The actuarial present value of benefits allocated to a valuation year is called the normal cost. The actuarial present value of benefits allocated to all periods prior to a valuation year is called the actuarial accrued liability.

**PRONOUNCEMENTS OF THE FASB AND GASB.** Rules that determine the principles for external financial reporting and disclosure.

**PROPERTY CLASS.** The classification assigned to each parcel of property based on the use of the property. For example, owner-occupied residential property is classified as homestead.

**PROPERTY TAX.** A tax levied on any kind of property.

**PROPERTY TAX LEVY.** The property taxes imposed by a local unit of government.

**PROPRIETARY FUNDS.** Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

**PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS).** A state or local governmental entity entrusted with administering one or more pension plans; it also may administer other types of employee benefit plans, including post-employment healthcare plans and deferred compensation plans. A public employee retirement system also may be an employer that provides or participates in a pension plan or other types of employee benefit plans for employees of the system. [SGAS 25]

**PUBLIC-ENTITY RISK POOL.** A cooperative group of governmental entities joining together to finance an exposure, liability, or risk. Risk may include property and liability, workers' compensation, or employee health care. A pool may be a stand-alone entity or included as part of a larger governmental entity that acts as the pool's sponsor. [SGAS 10]

**PURCHASE ORDER.** A document which authorizes the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.

**PURCHASES METHOD.** The method under which inventories are recorded as expenditures when purchased. This method is allowed only for governmental fund reporting. See also CONSUMPTION METHOD.

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**PURE CASH CONDUIT.** Term used in connection with pass-through grants. A grantor that merely transmits grantor-supplied moneys without having administrative or direct financial involvement in the program. [SGAS 24]

**PURPOSE RESTRICTIONS.** Term used in connection with government-mandated and voluntary nonexchange transactions. Legal limitations that specify the purpose or purposes for which resources are required to be used. [SGAS 33]

**PUT OPTION.** An option contract giving the buyer (owner) the right, but not the obligation, to sell to the writer of the contract a fixed number of items (such as shares of equity securities) at a fixed or determinable “strike” price on a given date or at any time on or before a given date. [SGAS 31]

**QUALIFIED OPINION.** Term used in connection with financial auditing. A modification of the independent auditor’s report on the fair presentation of the financial statements indicating that there exists one or more specific exceptions to the auditor’s general assertion that the financial statements are fairly presented.

**QUESTIONED COST.** Term used in connection with Single Audits. A determination by the independent auditor that an expenditure under a federal grant does not meet all of the grantor’s requirements and, therefore, may be subject to refund to the grantor.

**REALIZED GAINS AND LOSSES.** The cumulative effect of appreciation and depreciation in the value of investments reported at fair value at the time those investments are sold.

**REAPPROPRIATION.** The inclusion of a balance from the prior year’s budget as part of the budget of the subsequent fiscal year. Reappropriation is common for encumbrances outstanding at the end of a fiscal year that a government intends to honor in the subsequent fiscal year.

**REASONABLE ASSURANCE.** A term used in connection with financial auditing. The principle that the goal of the independent audit of the financial statements is to ensure that financial statements are free from material misstatement. The principle of reasonable assurance rests upon the assumption that it is not cost beneficial to attempt to ensure that financial statements are free of immaterial misstatements.

**REASONABLE ASSURANCE (IN INTERNAL CONTROL).** An internal control, no matter how well designed and operated, cannot guarantee that an entity’s objectives will be met because of inherent limitations in all internal control systems.

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**REBATABLE ARBITRAGE.** A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.

**RECEIPTS.** Cash received. Also, the source document given to the payer to vouch that a transaction has occurred. Copies of the receipts are often used for data entry of the transaction into the county's books.

**RECIPROCAL INTERFUND ACTIVITY.** The interfund counterpart to exchange and exchange-like transactions. This category includes both interfund loans and interfund services provided and used. [SGAS 34]

**REFUND.** Noun: The recovery of an item previously expensed or the repayment of an item previously recorded as revenue. Such refunds should be included in revenues, expenditures, or expenses of the current accounting period. Verb: To pay back or allow credit for an amount because of an over-collection or because of the return of an object sold. Such charges or credits should be made to the account where the original transaction was recorded. Verb: To provide for the payment of an obligation through cash or credit secured by a new obligation.

**REFUNDING.** The issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose (a current refunding), or they may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). [SGAS 23]

**REFUNDING BONDS.** Bonds issued to retire bonds already outstanding. The refunding bonds may be sold for cash and outstanding bonds redeemed in cash, or the refunding bonds may be exchanged with holders of outstanding bonds. See **ADVANCE REFUNDING BONDS**.

**REGISTER.** A record for the consecutive entry of a certain class of events, documents, or transactions, with proper notation of all the required particulars. The form of registers varies from a one-column to a multi-columnar sheet of special design whereon the entries are distributed, summarized, and aggregated for convenient posting to the accounts.

**REGISTERED WARRANT.** A warrant which is registered by the paying officer for future payment due to a present lack of moneys and which is to be paid in the order of its registration. In some cases, such warrants are registered when issued; in others, when first presented to the paying officer by the holders. See WARRANT.

**REGULATED ENTERPRISES.** Enterprises for which (a) rates for regulated services or products are either established by, or subject to approval by an independent, third-party regulator (or the governing board itself if it is empowered by statute or contract to establish rates that bind customers); (b) the regulated rates are designed to recover the specific enterprise's costs of providing regulated services or products; and (c) it is reasonable to assume that the regulated activity can set and collect charges sufficient to recover its costs. Regulated enterprises have the option of adopting certain specialized guidance issued by the FASB. In practice, the term "regulated enterprise" normally is applied only to enterprises that elect this option.

**REIMBURSEMENT GRANT.** A grant for which a potential recipient must first incur qualifying expenditures to be eligible. Reimbursement grants are also referred to as expenditure-driven grants.

**REIMBURSEMENTS.** Reimbursements are transactions that reduce expenditures or expenses in the fund that is reimbursed. These transactions include refunds of expenditures, internal prorations of costs, and payments received for others' share of pooled purchases.

**REINSURANCE.** A transaction in which an assuming enterprise (reinsurer), for a consideration (premium), assumes all or part of a risk undertaken originally by another insurer (ceding enterprise). However, the legal rights of the insured are not affected by the reinsurance transaction, and the ceding enterprise issuing the original insurance contract remains liable to the insured for payment of policy benefits. [SGAS 10]

**RELATED ORGANIZATION.** Term used in connection with defining the financial reporting entity. An organization for which a primary government is accountable because that government appoints a voting majority of the board, but is not *financially* accountable. [SGAS 14]

**RELATED PARTIES.** Those with whom the client has a relationship which might destroy the self-interest of one of the parties (accounting is based on measurement of arm's length transactions). Related parties include affiliates of the client, principle owners, management (decision makers who control business policy), and members of their immediate families.

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**RELATED-PARTY TRANSACTION.** A transaction that an informed observer might reasonably believe reflects considerations other than economic self-interest based upon the relationship that exists between the parties to the transaction. The term often is used in contrast to an arm's length transaction.

**RELATIVE ORDER OF LIQUIDITY.** An order for presenting assets and liabilities on the statement of net assets based upon how readily they may be converted to cash or will require the use of cash. [SGAS 34]

**RELEVANCE.** The principle that there should be a close logical relationship between the financial information provided and the purpose for which it is needed. Information is relevant if it is capable of making a difference in a user's assessment of a problem, condition, or event. [SGAC 1]

**RELIABILITY.** The principle that financial information should be verifiable, free from bias, and faithfully represent what it purports to represent. [SGAC 1]

**REPORT.** Noun: A written or verbal formal statement. Verb: To make, prepare, or present a written or verbal formal statement.

**REPORTABLE CONDITION.** Term used in connection with financial auditing. A significant deficiency in internal controls discovered in the course of the financial statement audit that must be communicated by the independent auditor to the entity's audit committee or its equivalent.

**REPORTING PACKAGE.** Term used in connection with Single Audits. A package that the independent auditor must communicate to the Federal Audit Clearinghouse that includes: (a) the government's financial statements, (b) the government's supplementary schedule of expenditures of federal awards, (c) the auditor's reports, (d) a summary schedule of prior audit findings, and (e) a corrective action plan. The reporting package must be accompanied by a special data collection form that summarizes the information contained in the reporting package.

**REPRESENTATION.** Items within a letter from management to the auditor representing that the financial statements are fairly presented. The letter is addressed to the independent auditor and dated at the date of the auditor's report. It is signed by members of management whom the auditor believes are responsible for, and knowledgeable about, matters covered (chief executive officer and chief financial officer).

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**REPURCHASE AGREEMENT.** A transaction in which the governmental entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the governmental entity and promises to repay the cash plus interest in exchange for the return of the same securities. [SGAS 3]

**REQUIRED SUPPLEMENTARY INFORMATION.** Statements, schedules, statistical data, or other information that the GASB has determined to be necessary to supplement, although not required to be a part of, the basic elements. [SGAS 5]

**REQUISITION.** A written demand or request, usually from one department to the purchasing officer or to another department, for specified articles or services.

**RESERVE.** An account set up to indicate the segregation of surplus to meet contingent liabilities or other segregations of surplus including, for example, reserve for encumbrances, reserve for uncollectible taxes, and so on.

**RESERVED FUND BALANCE.** The portion of a governmental fund's net assets that is not available for appropriation.

**RESOURCES.** The actual assets of a county such as cash, taxes receivable, land, buildings, etc., plus contingent assets, such as estimated revenues, applying to the current fiscal period not accrued or collected and bonds authorized and unissued.

**RESTRICTED ASSETS.** Assets whose use is subject to constraints that 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. [SGAS 34]

**RESTRICTED NET ASSETS.** A component of net assets calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

**RETROSPECTIVELY (EXPERIENCE) RATED POLICY.** Term used in connection with public-entity risk pools. An insurance policy for which the final amount of the premium is determined by adjusting the initial premium based on actual experience during the period of coverage (sometimes subject to maximum and minimum limits). A retrospectively-rated policy is designed to encourage safety by the insured and to compensate the insurer if larger-than-expected losses are incurred. [SGAS 10]

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**REVENUE.** The yield of taxes and other sources of income that the county collects and receives into the treasury for public use. For those revenues which are recorded on the accrual basis, this term designates additions to assets which: (a) do not increase any liability, (b) do not represent the recovery of an expenditure, (c) do not represent the cancellation of certain liabilities without a corresponding increase in other liabilities or a decrease in assets, and (d) do not represent contributions of fund capital in enterprise and internal service funds. The same definition applies to those cases where revenues are recorded on the modified accrual or cash basis, except that additions would be partially or entirely to cash.

**REVENUE AND CLAIMS DEVELOPMENT TREND DATA.** Required supplementary information mandated by the GASB for public-entity risk pools.

**REVENUE ANTICIPATION NOTE.** Short-term, interest-bearing note issued by a government in anticipation of revenues to be received at a later date. The note is retired from the revenues to which it is related.

**REVENUE BONDS.** Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

**REVERSE REPURCHASE AGREEMENT.** An agreement in which a broker-dealer or financial institution (buyer-lender) transfers cash to a governmental entity (seller-borrower); the entity transfers securities to the broker-dealer or financial institution and promises to repay the cash plus interest in exchange for the same securities or for different securities. [SGAS 3]

**REVOLVING FUND.** (1) An internal service fund. (2) An imprest account which is accounted for as an asset of a fund.

**RIGHTS.** Assertions about rights deal with whether the entity has rights to the asset at a given date. For example, management asserts that amounts capitalized for leases in the balance sheet represent the cost of the county's rights to leased property.

**RISK-SHARING POOLS.** One of four different types of public-entity risk pool. An arrangement by which governments pool risks and funds and share in the cost of losses. [SGAS 10]

**SALARY-RELATED PAYMENTS.** Term used in connection with compensated absences. Payments by an employer that are directly and incrementally associated with payments made for compensated absences on termination. Such salary-related payments include the employer's share of social security and Medicare taxes and also might include, for example, the employer's contributions to pension plans. [SGAS 16]

**SCHEDULE OF EMPLOYER CONTRIBUTIONS.** Term used in connection with defined benefit pension plans. Trend data on employers' annual required contribution to a pension plan and actual contributions.

**SCHEDULE OF FUNDING PROGRESS.** Term used in connection with defined benefit pension plans. Trend data on the relationship between the actuarial value of pension plan assets and the related actuarial accrued liability.

**SCOPE PARAGRAPH.** The paragraph in the auditor's report that explains the scope of the engagement. The wording of the standard scope paragraph is: "We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions."

**SEC2A7-LIKE POOLS.** An external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act 1940 (17 Code of Federal Regulations § 270.2a-7). Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than market value to report net assets to compute share prices if certain conditions are met. Those conditions include restrictions on the types of investments held, restrictions on the term-to-maturity of individual investments and the dollar-weighted average of the portfolio, requirements for portfolio diversification, requirements for divestiture considerations in the event of security downgrades and defaults, and required actions if the market value of the portfolio deviates from amortized cost by a specified amount. [SGAS 31]

**SECURITIES.** Bonds, notes, mortgages, or other forms of negotiable or non-negotiable instruments. See INVESTMENT.

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**SECURITIES LENDING TRANSACTIONS.** Transactions in which governmental entities transfer their securities to broker-dealers and other entities for collateral--which may be cash, securities, or letters of credit--and simultaneously agree to return the collateral for the same securities in the future. [SGAS 28]

**SEGMENT.** An identifiable activity (or grouping of activities) required to be accounted for separately which is reported as or within an enterprise fund or another stand-alone entity for which one or more revenue bonds or other revenue-backed debt instruments (such as certificates of participation) are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds or other revenue-backed debt and has related expenses, gains and losses, assets, and liabilities that can be identified. [SGAS 34]

**SEGREGATION OF INCOMPATIBLE DUTIES.** Term used in connection with the evaluation of internal control. The principle that no single employee should be placed in a position that allows that employee both to commit and conceal an irregularity in the ordinary course of the employee's duties.

**SERIAL BONDS.** Bonds whose principal is repaid in periodic installments over the life of the issue.

**SERVICE EFFORTS AND ACCOMPLISHMENTS REPORTING.** Term used by the GASB to describe the presentation of performance measures in connection with general purpose external financial reporting.

**SHARED REVENUE.** Revenue which is levied by one governmental unit but shared, usually in proportion to the amount collected or, by some other allocation method, with another governmental unit or class of governmental units.

**SHORT-TERM DEBT.** Debt with a maturity of one year or less after the date of issuance. Short-term debt usually includes contracts and accounts payable, bond anticipation notes, and interim warrants.

**SINGLE AUDIT.** An audit performed in accordance with the Single Audit Act of 1984 (as amended by the Single Audit Amendments of 1996) and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal grantor agencies.

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**SINGLE AUDIT ACT OF 1984.** Federal legislation that provides for state and local government recipients of federal financial awards to have one audit performed to meet the needs of all federal grantor agencies. The Single Audit Act was amended in 1996.

**SINGLE-PROGRAM GOVERNMENTS.** Term used in connection with financial reporting. A government that budgets, manages, and accounts for its activities as a single program. Single-program governments that use only governmental funds have the option to combine their fund financial statements and their government-wide financial statements into a single, combining presentation.

**SINKING FUND.** See DEBT SERVICE FUND.

**SOLVENCY TEST.** Term used in connection with pension plan financial reporting. Comparison of a pension plan's present assets to the aggregate accrued liabilities classified into the following categories: (a) liability for active member contributions on deposit, (b) liability for future benefits to present retired lives, and (c) liability for service already rendered by active members. In preparing this schedule, valuation assets are arbitrarily allocated first to the liability for active member contributions on deposit, second to the liability for future benefits to present retired lives, and third to the liability for service already rendered by active members, regardless of the method used for asset allocation.

**SOURCE.** The classification of the origin of revenues, not necessarily the payer.

**SOURCE DOCUMENT.** An original document, such as vendor invoice, receipt, or journal voucher, from which initial entries are made in the accounting system.

**SPECIAL ASSESSMENT.** A compulsory levy made against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

**SPECIAL ASSESSMENT BONDS.** Bonds payable from the proceeds of special assessments. These bonds are payable only from the collections of special assessments.

**SPECIAL ASSESSMENT ROLL.** The official list showing the amount of special assessments levied against each property presumed to be benefitted by an improvement or service.

**SPECIAL DISTRICT.** An independent unit of local government organized to perform a single governmental function or a restricted number of related functions.

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**SPECIAL FUNDING SITUATIONS.** Term used in connection with pensions. A situation in which a governmental entity is legally responsible for contributions to pension plans that cover the employees of another governmental entity or entities. For example, a state government may be legally responsible for the annual “employer” contributions to a pension plan that covers employees of school districts within the state. [SGAS 27]

**SPECIAL ITEMS.** Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. [SGAS 34]

**SPECIAL JOURNAL.** A journal containing all entries of a particular type. Examples include cash receipts journals, cash disbursement journals, purchases journals, etc. See GENERAL JOURNAL and JOURNAL.

**SPECIAL REVENUE FUND.** A governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes. [NCGA Statement 1]

**SPECIAL TERMINATION BENEFITS.** Benefits offered for a short period of time to employees in connection with their termination of employment. Special termination benefits serve as an inducement to take early retirement and often are used to help alleviate near-term budgetary problems.

**STANDARD COSTING.** Method of estimating the historical cost of a capital asset by establishing the average cost of obtaining the same or a similar asset at the time of acquisition.

**STATEMENT OF ACTIVITIES.** The statement of operations in the government-wide financial statements. The operations of the reporting government are presented in a format that reports the net (expense) revenue of its individual functions.

**STATEMENT OF NET ASSETS.** The statement of financial position in the government-wide financial statements and the proprietary funds financial statements. Governmental funds financial statements will report a balance sheet.

**STATEMENTS.** See BASIC FINANCIAL STATEMENTS.

**STATISTICAL SECTION.** The third of three essential components of any comprehensive annual financial report. The statistical section provides a broad range of trend data covering key financial indicators from the past ten fiscal years (e.g., general government revenues and expenditures, property tax collections, and debt burden). It also contains demographic and miscellaneous data useful in assessing a government's financial condition. The contents of the statistical section normally fall outside the scope of the independent audit of the financial statements.

**STATUTE.** A written law enacted by a duly organized and constituted legislative body.

**STREET OR NOMINEE NAME.** Securities that are issued in or endorsed to the name of a securities depository, broker-dealer, or other financial services company, on behalf of the true beneficial owners of the securities. [SGAS 3, Q&A]

**STRIKE PRICE.** A fixed or determinable price on a given date or at any time on or before a given date at which the buyer (owner) may purchase from (call option) or sell to (put option) the seller (writer) of an option contract a fixed number of items (such as shares of equity securities). [SGAS 31]

**STRUCTURED SETTLEMENT.** Term used in connection with risk financing. A means of satisfying a claim liability, consisting of an initial cash payment to meet specific present financial needs combined with a stream of future payments designed to meet future financial needs, generally funded by annuity contracts. [SGAS 10]

**SUBOBJECT.** A subdivision within an expenditure object classification (e.g., regular employees is a possible subobject classification within the personal services--salaries and wages expenditure object classification).

**SUBRECIPIENT.** An entity that is a secondary or ultimate recipient of federal (grantor) financial assistance. These federal funds are distributed, under contract, by a state or local government (grantee) to the secondary recipient and are used by it in order to carry out federal assistance programs. (These funds are not to be confused with pass-through resources received as an agency that are forwarded to a provider of services.) See PASS-THROUGH GRANTS and PASS-THROUGH RESOURCES.

**SUBSEQUENT EVENTS.** Events that affect the client and occur between the balance sheet date and issuance of the audit report. Some such events provide additional evidence about conditions that existed at the balance sheet date, such as the bankruptcy of a customer with a history of financial difficulty. The financial statements are adjusted to reflect this evidence. Evidence about conditions that did not exist at the balance sheet date, such as fire that destroyed a county building after the balance sheet date, may be so significant as to require disclosure.

**SUBSIDIARY ACCOUNT.** One of a group of related accounts supporting in detail the debit and credit summaries recorded in a control account (e.g., the individual property taxpayers' accounts for the taxes receivable control account in the general ledger). See CONTROL ACCOUNT.

**SUBSIDIARY LEDGER.** A group of subsidiary accounts, the sum of the balances of which should equal the balance of the related control account. See GENERAL LEDGER and SUBSIDIARY ACCOUNT.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP).** The first of the notes to the financial statements or a separate section immediately preceding the notes to the financial statements. The basic authoritative guidance governing the contents of the SSAP is provided in Accounting Principles Board (APB) Opinion No. 22, *Disclosure of Significant Accounting Policies*.

**SUPPLEMENTARY INFORMATION.** Financial information presented together with basic financial statements that is not included within the scope of the audit of those statements. When the presentation of certain supplementary information is mandated by the GASB, it is referred to as required supplementary information.

**SUPPORTING SCHEDULES.** Financial presentations that: (1) demonstrate compliance with finance-related legal and contractual provisions; (2) present information spread throughout the basic financial statements that can be brought together and shown in greater detail (e.g., schedule of taxes receivable); (3) present greater detail for information reported in the basic financial statements (e.g., detail of revenues and expenditures by element and object); and (4) present information not disclosed in GAAP basic financial statements.

**SURETY BOND.** A written promise to pay damages or to indemnify against losses caused by the party or parties named in the document through non-performance or through defalcation; for example, a surety bond given by a contractor or by an official handling cash or securities.

**SURPLUS.** The excess of the assets of a fund over its liabilities or, if the fund also has other resources and obligations, the excess of resources over obligations. The term should not be used without a properly descriptive adjective unless its meaning is apparent from the context. See also FUND BALANCE and NET ASSETS.

**SUSCEPTIBLE TO ACCRUAL.** Term used in connection with the application of the modified accrual basis of accounting. Revenues that are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. [NCGA Statement 1]

**SUSPENSE ACCOUNT.** An account which carries charges or credits temporarily pending the determination of the proper account or accounts to which they are to be posted.

**SYSTEM DEVELOPMENT FEES.** Fees charged to join or to extend an existing utility system. Also referred to as tap fees or connection fees.

**TAKE-OUT AGREEMENT.** Term used in connection with demand bonds. An arrangement with a financial institution to convert demand bonds to an installment loan payable over a specified period, sometimes as long as ten years or more. A take-out agreement is used to provide long-term financing in the event the remarketing agent is unable to resell demand bonds within a specified period (usually three to six months) subsequent to the exercise of the “demand” feature by bondholders. [IGAS 1]

**TAP FEES.** Fees charged to join or to extend an existing utility system. Also referred to as system development fees or connection fees.

**TAX ANTICIPATION NOTE.** Short-term, interest-bearing note issued by a government in anticipation of tax revenues to be received at a later date. The note is retired from the tax revenues to which it is related.

**TAX CAPACITY.** The valuation of property based on market value and statutory class rates. The property tax for each parcel is based on its tax capacity.

**TAX INCREMENT FINANCING.** Financing secured by the anticipated incremental increase in tax revenues, resulting from the redevelopment of an area.

**TAX LIENS.** Claims which governmental units have upon properties until taxes levied against them have been paid. Note: The term is sometimes limited to those delinquent taxes for the collection of which legal action has been taken through the filing of liens.

**TAX LIMIT.** The maximum rate or amount of general property tax which a local government may levy.

**TAX RATE.** The amount of tax stated in terms of a unit of the tax base; for example, 25 mills per dollar of assessed valuation.

**TAX ROLL.** The official list showing the amount of taxes levied against each taxpayer or property.

**TAXES.** Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. This term does not include specific charges made against particular persons or property for current or permanent benefits such as special assessments. Neither does the term include charges for services rendered only to those who pay, for example, sewer service charges.

**TAXES RECEIVABLE.** The uncollected portion of taxes which a county has levied.

**TECHNICAL AGENDA.** Term used in connection with the operation of the GASB. A list of research projects formally undertaken by the GASB as part of its development of authoritative standards of accounting and financial reporting.

**TECHNICAL BULLETIN.** A document issued by the staff of the GASB to provide guidance for applying GASB statements and interpretations and resolving accounting issues not directly addressed by them. [TB 84-1]

**TEMPORARY ACCOUNTS.** Accounts that close to net assets at the end of an accounting period (e.g., revenues and expenses).

**TEN PERCENT CRITERION.** The first of two tests used to determine whether a given governmental fund or enterprise fund must be reported as a major fund in the basic financial statements. For governmental funds, this test is applied to the total assets, liabilities, revenues, and expenditures of all governmental funds. For enterprise funds, this test is applied to the total assets, liabilities, revenues, and expenses of all enterprise funds. The test need be met for only one of these four items. See also FIVE PERCENT CRITERION.

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**TERMINATION PAYMENTS METHOD.** A method of calculating the liability for earned sick leave for which it is probable that the benefits will result in termination payments. Under this method, the amount of the liability is estimated based on a governmental entity's past experience of making termination payments for sick leave, adjusted for the effect of changes in its termination policy and other factors. [SGAS 16]

**TIMELINESS.** The principle that financial statements must be issued soon enough after the reported events to affect decisions. [SGAC 1]

**TIMING DIFFERENCES.** Differences between the budgetary basis of accounting and GAAP that occur when the period used for budgeting differs from the period used for GAAP reporting (e.g., a special revenue fund that uses grant year budget rather than a fiscal year budget).

**TOTAL TAX CAPACITY.** The amount computed by first totaling the tax capacities of all parcels of property within a local taxing district. Adjustments for fiscal disparities, tax increment, and a portion of the powerline value are made to this total since not all tax capacity is available for general tax purposes.

**TRADE DISCOUNT.** An allowance, usually varying in percentage with the volume of transactions, made to those engaged in certain businesses and allowable without respect to the time when the account is paid. These discounts are commonly considered a reduction of the sales or purchase price and not earnings. The term is not to be confused with CASH DISCOUNT.

**TRANSFERS.** See INTERFUND ACTIVITY and INTERFUND TRANSFERS.

**TRIAL BALANCE.** A list of the balances of the accounts in a ledger kept by double entry with the debit and credit balances shown in separate columns. If the totals of the debit and credit columns are equal or their net balance agrees with a control account, the ledger from which the figures are taken is said to be "in balance."

**TRI-PARTY ARRANGEMENTS.** Term used in connection with repurchase agreements. An arrangement in which the custodian serves as agent both of the buyer-lender and of the seller-borrower by agreeing, in the event of default by one, to protect the interests of the other. The custodian holds the securities underlying the agreement in the names of both repurchase agreement parties (the buyer-lender as pledgee and the seller-borrower as owner). [SGAS 3, Q&A]

**TRUST AND AGENCY FUND.** See AGENCY FUND and TRUST FUND.

**TRUST FUND.** A fund consisting of resources received and held by the governmental unit as trustee to be expended or invested in accordance with the conditions of the trust.

**TYPE A PROGRAM.** Term used in connection with the determination of major programs for purposes of Single Audits. Type A programs are defined on the basis of the relationship between program expenditures and total federal awards expended.

**TYPE B PROGRAM.** Term used in connection with the determination of major programs for purposes of Single Audits. A Type B program is any program with insufficient program expenditures to qualify as a Type A program.

**UNALLOCATED CLAIM ADJUSTMENT EXPENSES.** Term used in connection with risk financing. Costs that cannot be associated with specific claims but are related to claims paid or in the process of settlement, such as salaries and other internal costs of the pool's claims department. [SGAS 10]

**UNALLOCATED DEPRECIATION.** Term used in connection with the government-wide statement of activities. Depreciation not properly reported as a direct expense of a functional category.

**UNCOMMITTED BALANCE OF APPROPRIATIONS.** The portion of an appropriation remaining after the deduction of expenditures and encumbrances.

**UNDERSTANDABILITY.** The principle that information in financial reports should be expressed as simply as possible. [SGAC 1]

**UNDESIGNATED, UNRESERVED FUND BALANCE.** Available expendable financial resources in a governmental fund that are not the object of tentative management plans.

**UNDIVIDED INTEREST.** An arrangement (also known as a joint operation) that resembles a joint venture but no entity or organization is created by the participants. An undivided interest is an ownership arrangement in which two or more parties own property in which title is held individually to the extent of each party's interest. Implied in that definition is that each participant is also liable for specific, identifiable obligations (if any) of the operation. Because an undivided interest is not

a legal entity, borrowing to finance its operations often is done individually by each participant. An additional consequence of the absence of a formal organizational structure is that there is no entity with assets, liabilities, expenditures/expenses, and revenues--and thus, equity--to allocate to participants. [SGAS 14]

**UNEARNED REVENUE.** A type of deferred revenue account used in connection with resources that have not yet been earned.

**UNENCUMBERED BALANCE.** That portion of an appropriation not yet expended or encumbered; the balance remaining after deducting from the appropriation the accumulated expenditures and outstanding encumbrances.

**UNEXPENDED BALANCE.** That portion of an appropriation which has not been expended; the balance remaining after deducting from the appropriation and the accumulated expenditures.

**UNFUNDED ACTUARIAL ACCRUED LIABILITY.** The excess of the actuarial accrued liability over the actuarial value of assets. This value may be negative, in which case it may be expressed as a negative unfunded actuarial accrued liability, the excess of the actuarial value of assets over the actuarial accrued liability, or the funding excess.

**UNQUALIFIED OPINION.** An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

**UNREALIZED GAINS AND LOSSES.** Term used in connection with the valuation of investments. Cumulative change in the market value of investments prior to their disposition.

**UNREALIZED REVENUES.** Term used in connection with budgeting. The difference between estimated revenues and actual revenues.

**UNRESTRICTED NET ASSETS.** That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

**VALUATION.** An assertion made by management that each asset and liability is recorded at an appropriate carrying value.

**VESTING METHOD.** A method of calculating the liability for earned sick leave for which it is probable that the benefits will result in termination payments. Under this method, the amount of the liability is estimated based on the sick leave accumulated at the date of the statement of position for those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. In calculating the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or classes or groups of employees will become eligible to receive termination payments. [SGAS 16]

**VOLUNTARY NONEXCHANGE TRANSACTIONS.** Transactions that result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (e.g., certain grants and private donations). [SGAS 33]

**VOTING MAJORITY.** Term used in connection with defining the financial reporting entity. A situation in which the number of the primary government's appointees to a component unit's board is sufficient to control decisions of the component unit. [SGAS 14, Q&A]

**VOUCHER.** A written document which evidences the propriety of transactions and usually indicates the accounts in which they are to be recorded.

**VOUCHER SYSTEM.** A system which calls for the preparation of vouchers for transactions involving payments and for the recording of such vouchers in a special book of original entry, known as a voucher register, in the order in which payment is approved.

**VULNERABILITY ASSESSMENT.** Term used in connection with evaluations of internal controls. The risk-based systematic prioritization of internal control evaluations.

**WARRANT.** An order drawn by the legislative body or an officer of a government upon its treasurer directing the latter to pay a specified amount to the person named or to the bearer. It may be payable upon demand, in which case it usually circulates the same as a bank check; or it may be payable only out of certain revenues when and if received, in which case it does not circulate as freely.

**WASTING ASSETS.** Mines, timberlands, quarries, oil fields, and similar assets, which diminish in value by the removal of their contents.

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**WIDELY RECOGNIZED AND PREVALENT PRACTICE.** Term used in connection with the hierarchy of GAAP for state and local governments established by SAS No. 69, *The Meaning of “Present Fairly in Conformity with Generally Accepted Accounting Principles” in the Independent Auditor’s Report*. The principle that accounting and financial reporting practice should itself serve as a source of GAAP in the absence of higher level guidance.

**YELLOW BOOK.** Term used in connection with public-sector auditing. A non-technical term commonly used to describe the General Accounting Office’s publication *Government Auditing Standards*.

**YIELD MAINTENANCE REPURCHASE-REVERSE REPURCHASE AGREEMENT.** A repurchase agreement or a reverse repurchase agreement where the parties agree that the securities returned will provide the seller-borrower with a yield as specified in the agreement. [SGAS 3]

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AcSEC--Accounting Standards Executive Committee of the AICPA  
AG--Attorney General, Office of  
AGA--Association of Governmental Accountants  
AICPA--American Institute of Certified Public Accountants  
AJE--Adjusting or Accounting Journal Entry  
AMC--Association of Minnesota Counties  
AMSSA--Association of Minnesota Social Services Accountants  
APB--Accounting Principles Board  
APC--Annual Pension Cost  
ARB--Accounting Research Bulletin of the Committee on Accounting Procedure  
ARC--Annual Required Contribution  
ASB--Auditing Standards Board  
ASCII--American Standard Code for Information Interchange  
ASLG--AICPA's Audit and Accounting Guide, *Audits of State and Local Governments*  
AT sec.--Attestation Standards Section of the AICPA's Professional Standards  
ATB--Accountant's Trial Balance  
AU sec.--Auditing Standards Section of the AICPA's Professional Standards  
BAN--Bond Anticipation Note  
BMS--Minnesota Bureau of Mediation Services  
BTA--Business Type Activity  
CAFR--Comprehensive Annual Financial Report  
CD--Certificate of Deposit or Contract for Deed  
CFDA--Catalog of Federal Domestic Assistance  
CFL--Minnesota Department of Children, Families and Learning (now Education)  
CFR--Code of Federal Regulations  
COFARS--County Financial Accounting and Reporting Standards  
COI--Conflict of Interest  
COLA--Cost of Living Adjustment  
COMAP--County Manual Accounting Procedures  
CPI--Consumer Price Index  
CPU--Central Processing Unit  
DES--Data Encryption Standard  
DHS--Minnesota Department of Human Services  
DM--Discussion Memorandum  
DNR--Minnesota Department of Natural Resources  
DOE--U.S. Department of Energy  
DOI--U.S. Department of the Interior

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DOJ--U.S. Department of Justice  
DOL--U.S. Department of Labor  
DOLI--Minnesota Department of Labor and Industry  
DOT--U.S. Department of Transportation  
DPS--Minnesota Department of Public Safety  
DTED--Minnesota Department of Trade and Economic Development  
ED--Exposure Draft  
EDA--Economic Development Authority  
EDI--Electronic Data Interchange  
EDP--Electronic Data Processing  
EEOC--Equal Employment Opportunity Commission  
EFT--Electronic Funds Transfer  
EFTS--Electronic Funds Transfer System  
EITF--Emerging Issues Task Force  
ELF--Extremely Low Frequency  
EPA--Environmental Protection Agency  
ET sec.--Ethics Standards Section of the AICPA's Professional Standards  
FAA--U.S. Federal Aviation Administration  
FAF--Financial Accounting Foundation  
FAS--Financial Accounting Standards  
FASB--Financial Accounting Standards Board  
FASBI--Financial Accounting Standards Board Interpretations  
FASBS--Statements of the Financial Accounting Standards Board  
FDIC--Federal Deposit Insurance Corporation  
FDS--HUD's Financial Data Schedule  
Fed--Federal Reserve System-Board of Governors  
FEMA--Federal Emergency Management Agency  
FHWA--Federal Highway Administration  
FICA--Federal Insurance Contributions Act  
FIFO--First-In, First-Out  
FLRA--Federal Labor Relations Authority  
FLSA--Fair Labor Standards Act  
FMLA--Family and Medical Leave Act  
FMV--Fair Market Value  
FNMA--Federal National Mortgage Association  
FNS--Food and Nutrition Service  
FOB--Freight on Board  
FOIA--Freedom of Information Act

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FR--Federal Register  
FRS--Federal Reserve System  
FS--Financial Statement  
FTA--Federal Transit Administration  
FUTA--Federal Unemployment Tax Act  
FWS--Fish and Wildlife Service  
FY--Fiscal Year  
GAAFR--Governmental Accounting, Auditing, and Financial Reporting  
GAAP--Generally Accepted Accounting Principles  
GAAS--Generally Accepted Auditing Standards  
GAGAS--Generally Accepted Governmental Auditing Standards  
GAO--U.S. General Accounting Office  
GASB--Governmental Accounting Standards Board  
GASB-COD--Governmental Accounting Standards Board Codification  
GASB Q&A--Implementation Guides of the GASB Staff  
GASBT--Governmental Accounting Standards Board Technical Bulletions  
GFOA--Government Finance Officers Association  
GIC--Guaranteed Investment Contract  
GIS--Geographic Information System  
GL--General Ledger  
GNMA--Government National Mortgage Association  
GPS--Global Positioning System  
GWFS--Government-Wide Financial Statements  
HACA--Homestead and Agricultural Credit Aid  
HHS--U.S. Department of Health and Human Services  
HRA--Housing and Redevelopment Authority  
HUD--U.S. Department of Housing and Urban Development  
IBNR--Incurred But Not Reported (claims)  
ICMA--International City/County Management Association  
ICQ--Internal Control Questionnaire  
IFS--Integrated Financial System  
IG--Inspector General  
IGAS--Interpretation of Governmental Accounting Standards  
INS--Immigration and Naturalization Services (Department of Justice)  
IRC--Internal Revenue Code  
IRS--Internal Revenue Service  
IT--Information Technology  
JE--Journal Entry

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JPA--Joint Powers Agreement  
LCM--Lower of Cost or Market  
LGA--Local Government Aid  
LIFO--Last-In, First-Out  
LPHA--Local Public Health Association of Minnesota  
MAAO--Minnesota Association of Assessing Officers  
MACA--Minnesota Association of County Administrators  
MACCAC--Minnesota Association of Community Correction Act Counties  
MACLC--Minnesota Association of County Land Commissioners  
MACM--Minnesota Association of Court Management  
MACMHP--Minnesota Association of County Mental Health Programs  
MACO--Minnesota Association of County Officers  
MACPO--Minnesota Association of County Probation Officers  
MACPZA--Minnesota Association of County Planning and Zoning Administrators  
MACS--Minnesota Association of County Surveyors  
MACSSA--Minnesota Association of County Social Services Administrators  
MACVSO--Minnesota Association of County Veteran Services Officers  
MAPCED--Minnesota Association of Professional County Economic Developers  
MAT--Minnesota Association of Townships  
MAWD--Minnesota Association of Watershed Districts  
MCAA--Minnesota County Attorney's Association  
MCEA--Minnesota County Engineer's Association  
MCHAA--Minnesota County Highway Accountants Association  
MCIT--Minnesota Counties Insurance Trust  
MDA--Minnesota Department of Agriculture  
MD&A--Management's Discussion and Analysis  
MDH--Minnesota Department of Health  
MFBA--Measurement Focus and Basis of Accounting  
MHFA--Minnesota Housing Finance Agency  
MICA--Metropolitan Inter-County Association  
MIS--Management Information System  
MNCRA--Minnesota County Recorders Association  
MNDOT--Minnesota Department of Transportation  
MOEA--Minnesota Office of Environmental Assistance  
MRBJPB--Minnesota River Basin Joint Powers Board  
MSSA--Minnesota Social Services Association  
MSSA--Minnesota State Sheriff's Association  
MSWAA--Minnesota Solid Waste Administrator's Association

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MVC--Market Value Credit  
MWSA--Minnesota Workforce Service Areas  
NA--Not Applicable  
NACo--National Association of Counties  
NASD--National Association of Securities Dealers  
NCGA--National Council on Governmental Accounting  
NHTSA--National Highway Traffic Safety Administration  
NLRB--National Labor Relations Board  
NPO--Net Pension Obligation  
NPV--Net Present Value  
NRMSIR--Nationally Recognized Municipal Securities Information Repository  
NSF--Not Sufficient Funds  
NTSB--National Transportation Safety Board  
O/A--On or About  
OCBOA--Comprehensive Basis of Accounting Other than GAAP  
OCR--Optical Character Recognition  
OIG--Office of Inspector General  
OMB--U.S. Office of Management and Budget  
OPEB--Other Post-Employment Benefits  
OSA--Office of the State Auditor  
OSHA--Occupational Safety and Health Administration  
PCA--Minnesota Pollution Control Agency  
PCIE--President's Council on Integrity and Efficiency Single Audit Committee  
PERA--Public Employees Retirement Association  
PERS--Public Employees Retirement System  
PHA--Public Housing Authority  
PHS--Public Health Service  
PILOT--Payment in Lieu of Taxes  
PL--Public Law  
PO--Purchase Order  
PV--Present Value  
QC--Quality Control  
RAM--Random Access Memory  
R&D--Research and Development  
RFI--Request for Information  
RFP--Request for Proposals  
RICO--Racketeer Influenced and Corrupt Organizations Act  
ROI--Return on Investment

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ROM--Read-Only Memory  
ROW--Right of Way  
RSI--Required supplementary information  
RTC--Resolution Trust Corporation  
RV--Residual Value  
SAS--Statement on Auditing Standards  
SBA--Small Business Administration  
SEC--Securities and Exchange Commission  
SFAC--Statements of Financial Accounting Concepts  
SFAS--Statements of Financial Accounting Standards  
SGAC--Statement of Governmental Accounting Concepts  
SGAS--Statement of Governmental Accounting Standards  
SI--Supplementary Information (other than required supplementary information)  
SID--State Information Depository  
SOP--Statement of Position by Committees of the AICPA  
SSA--Social Security Administration  
SSAE--Statement on Standards for Attestation Engagements  
SSCS--Statement on Standards for Consulting Services  
SWCD--Soil and Water Conservation District  
SYD--Sum-of-the-Years'-Digits  
TAN--Tax Anticipation Note  
TB--Technical Bulletins of the GASB  
TB--Trial Balance  
TIF--Tax Increment Financing  
TIN--Tax Identification Number  
UCC--Uniform Commercial Code  
UFRS--HUD's Uniform Financial Reporting Standards  
U.S.C.--United States Code  
USDA--U.S. Department of Agriculture  
VA--Department of Veterans Affairs  
WAN--Wide Area Network  
WIC--Women, Infants and Children, Special Supplemental Food Program for  
WIP--Work-In-Process  
YTD--Year-To-Date

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