

Accounting Policy

I. Background

This policy addresses the accounting methods and the manner in which revenues are collected and recognized and expenditures are disbursed and incurred.

II. Financial Statements

- A. All activities for which the County exercises oversight responsibility are incorporated into the financial statements to form the reporting entity.
- B. The year-end financial statements shall be formulated based upon generally accepted accounting principals (GAAP) and the Comprehensive Annual Financial Report (CAFR) will be prepared at the conclusion of the County audit.
- C. Quarterly financial reports shall be presented to the Board of Supervisors for the second and third quarter of each fiscal year. A preliminary year-end report shall be presented for the fourth quarter.

III. Fund Accounting

- A. Accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity.
- B. Appropriate accruals of revenues and expenditures will be in accordance with GAAP.
- C. Purchase orders, contracts, and other commitments for expenditure of moneys are recorded in order to reserve that portion of the appropriation.
- D. The Board of Supervisors' approval is required for the establishment of any new County reporting entity fund that requires an appropriation. The County Administrator authorizes all other funds.

IV. Capital Assets

- A. Capital assets shall be recorded when the unit cost is greater than \$5,000, the useful life exceeds five years, and the expenditure meets the GAAP definition of land, building, improvements to building, infrastructure, or equipment.
- B. Personal property, monetary and in kind donations:
 - 1. The department head may authorize acceptance of these donations with an estimated value below \$2,500.
 - 2. The County Administrator may authorize acceptance of these donations with an estimated value between \$2,500 and \$25,000.
 - 3. Board of Supervisor's authorization is required for acceptance of these donations with an estimated value greater than \$25,000.

V. Check Disbursements and Bank Transfers

- A. All checks, bank transfers, and disbursements to a non-County account generated by the County and Treasurer's Office will contain dual signatures with one signature representing an authorized signature of the County and the other signature representing an authorized signature of the Treasurer's Office.
- B. Manual checks with dual signatures will be issued only in circumstances that are

deemed appropriate by the Finance Director.

- C. All disbursements of funds will have proper supporting documentation (e.g., vendor's invoice), approval of a department authorized signer, and be filed in a manner to provide the proper audit trail to such disbursement.
- D. State tax and fee collections that are administered by the Treasurer's Office are recorded in a separate Commonwealth fund. The Treasurer's transfer of State tax and fee collections to the Commonwealth requires dual signatures, but does not require authorization of both the Treasurer and County.

VI. Petty Cash

- A. Petty cash funds shall be maintained in order to provide timely payment or reimbursement for proper expenses that do not exceed \$50 per transaction.
- B. Petty cash funds shall also be established at cashiering points to provide change for County business transactions.
- C. Internal controls shall be followed to ensure the appropriate reconciliations are performed and petty cash is safeguarded.
- D. Petty cash balances and locations shall be documented in the Accounting Regulations.

VII. Record Retention

All records shall be retained in accordance with the Virginia Public Records Act and related schedules.

VIII. General Ledger Entries

- A. All journal and budget entries shall contain at least two signatures authorizing the entry with at least one signature of a supervisor in the Finance Department.
- B. School Board journal entries shall contain at least two signatures with at least one signature of a supervisor in School Board or County Finance Department.

IX. Accounting System

The County shall maintain one centralized accounting system, including the School Board, for all payroll, general ledger, cash receipts, cash disbursements, and other accounting transactions.

Accounting Regulations

1. Financial Statements

- a) Schools:
 - i) School Board funds for School, School Food Services, and School Textbook are classified as a discretely presented component unit of the financial reporting entity.
 - ii) The School Improvement Fund is presented under the primary government because County guaranteed debt is the primary fund source for the School Improvement Fund, with the resulting capital assets reported by County, up to the amount of outstanding debt.
 - iii) Equity in assets acquired by debt is transferred to School Component Unit as debt is retired and assets acquired from non-debt sources are immediately transferred to Schools.
- b) The Economic Development Authority is classified as a discretely presented component unit of the financial reporting entity.
- c) The quarterly financial reports are prepared for the second and third quarters of the fiscal year for the County's General, Utility and School funds and shall also include:
 - i) Forecasted year-end balances of the General and Public Utility funds.
 - ii) Utilization of reserve for contingencies.
 - iii) Other footnote disclosures and narrative analysis as deemed necessary.
- d) A preliminary year-end report will be prepared for the County's General, School and Public Utility funds.
- e) Funds not administered by the County and not included in any financial statements include the Narcotics and Vice Fund, which are administered by the Sheriff's Office, and the School Activity Funds, which are administered by the individual schools and issued under separate financial statements.
- f) Year-end Financial Statements shall be comprised of the following:
 - i) Government-wide financial statements will illustrate governmental activities, business-type activities and component units in a Statement of Net Assets and a Statement of Activities.
 - ii) Fund financial statements will illustrate by fund a Balance Sheet, Statement of Revenues and Expenditures and Statement of Cash Flows, as applicable.

2. Fund Accounting

- a) Operations of each fund are accounted for with a separate set of self-balancing accounts, which comprise its assets, liabilities, fund balances, net assets, revenues and expenditures, or expenses, as appropriate.

- b) Modified accrual basis of accounting will be followed by the governmental funds and agency funds with revenues recognized when measurable and available and expenditures recognized when incurred, with the exception of interest on long-term debt, which is recognized when due.
- c) Accrual basis of accounting will be followed by the proprietary fund types; with revenues recognized when earned and expenses recognized when incurred.
- d) Appropriations shall be limited to the following funds: General, Community Services, Comprehensive Services, Economic Development, County Improvements, School, School Textbook, School Food Services, School Improvements, Public Utilities, Fleet Management, Self Insurance, Airport, Bell Creek Community Development Authority, and Lewistown Community Development Authority.
- e) Agency funds, where the County serves as a custodian of funds, shall be limited to the following: Escrow and Special Welfare.
- f) Capital assets shall be depreciated over the estimated useful life of the asset using the straight-line method as follows:
 - i) Buildings and infrastructure: 50 years
 - ii) Building improvements: 20 years
 - iii) Other: Vehicles, office and computer equipment (5 years); trucks (8 years); and Fire Trucks (15 years)
 - iv) Assets acquired during the fiscal year will have a half-year of depreciation recognized in the year of acquisition and half-year of depreciation in the year of disposal, with a full-year of depreciation recognized in all other years
 - v) Capitalization of interest costs, in the enterprise funds, will be performed annually.

3. Check Disbursements and Bank Transfers

- a) Business Purpose
 - i) County funds may only be expended for properly authorized public business purposes and may not be used to procure items or services for the personal use, consumption or benefit of employees.
- b) Supporting documentation requirements
 - i) For all warrants issued by Social Services, supporting documentation shall be maintained by Social Services and subject to the same audit trail controls.
 - ii) All County business-related expenses incurred by employees of the County are reimbursable in accordance with the travel and business expense policy and regulations.
 - iii) All refunds will provide supporting documentation evidencing that an over collection of such funds has occurred or other appropriate disposition regarding the refund.

4. Petty Cash

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a) Petty cash threshold for disbursement shall be up to \$50 per transaction with petty cash balances established to meet projected volume of transactions during accounts payable cycle.

b) Petty cash balances will be established at the following locations and at the following amounts

i) Treasurer: \$1,550 (for use as change drawer only)

ii) Building Inspector: \$500 (for use as change drawer only)

iii) Finance Department: \$800 (for use as petty cash distribution only)

iv) Community Services Board: \$100 (for use as change drawer only)

v) Community Services Board: \$250 (for use as petty cash only)

vi) Parks and Recreation: \$100 (for use as change drawer only)