

301. Accounting / Bookkeeping

301.1. Disbursement of Funds

Includes portions of old policy #2007-1

Purpose: This policy provides standards for the disbursement of CRWD funds.

Standard 1: All CRWD disbursements shall be made by check. The Board Chair and the Treasurer shall sign the checks. When the Board Chair or Treasurer is not available, one other manager will be required to sign the checks.

Standard 2: All CRWD disbursements shall be reviewed by the Administrator prior to preparation of monthly financial documents.

Standard 3: One manager (preferably the Treasurer) is to review the prepared monthly financial documents and corresponding check register prior to the Board's monthly meeting.

Standard 4: All CRWD disbursements must be approved by the Board of Managers of the District.

Standard 5: All CRWD financial records of disbursement will be kept so that the auditor and any CRWD manager can readily ascertain the status of the accounts of the CRWD.

Standard 6: Disbursements for prepayment of CRWD utility bills (ex. telecommunications, electricity) is allowed.

301.2. Processing of Receipts, Utility Billing and Special Assessments

Old policy #2007-2

Purpose: This policy provides standards for the proper processing of receipts, utility billings and special assessments for the CRWD.

Standard 1- Depositing Receipts:

- All receipts shall be deposited at least once weekly. Receipts shall be recorded as deposited into the CRWD's accounting system.
 - Special assessments prepayment receipts may be grouped and a receipt written for the group.
 - Utility bill receipts may be grouped and a receipt written for the group.
 - A receipt shall be written for miscellaneous cash payments received.

Standard 2- Utility Billing:

- Utility bills will be billed on a quarterly basis. The bills will be prepared and mailed during the last week of each calendar quarter.
- For each Utility Fund, records will be kept as to when each billing was completed and the amount billed. The receipts for each utility will be recorded at least on a monthly basis. The remaining outstanding bills will be included in a ledger maintained for this purpose.
- This information will be made available to the Board on a quarterly basis and the CRWD auditor at year-end.

Standard 3- Special Assessment Collection:

Records will be kept for each assessment roll levied by the District. This record shall show the following:

- Name of project assessment is for
- Amount of assessment roll approved by the Board and date of approval

- Adjustments to the assessment roll (if any) and date of adjustment
- Prepayments received in the current month (if any) and date received
- Record of prior months prepayment collections (amounts, date, period, etc.)
- Amount of interest and fees added by respective counties
- Balance of assessment certified to the respective county and date of certification
- Amount of assessment proceeds received from the respective county and date of receipt
- Balance of outstanding special assessments

This information will be provided to the Board on a quarterly basis. Review of entered rolls will be completed twice annually for each assessment roll: first comparing rolls submitted to counties with proofs from the counties (typically delivered by counties in January) line-by-line, and second by spot checking a handful of parcels' property tax statements, comparing the assessment of selected parcels with the amount appearing on said statements.

As much as possible, the CRWD will avoid the issuance of multi-year special assessments in order to minimize the possibility of errors occurring.

301.3. Financial Depositories

Purpose: This policy has been adopted by the CRWD Board of Managers in order to provide a list of financial depositories as well as standards for operation of accounts with said depositories.

Standard 1: The CRWD may open and maintain deposit accounts at the following financial institutions:

- Annandale State Bank, Annandale, MN
- Farmers State Bank, Watkins, MN
- Harvest Bank, Kimball, MN

Standard 2: Every member of the Board is to sign the certificate of authority and corresponding account agreements for each account opened at said institutions. Said documents are to be updated annually as needed, or when a change to the Board occurs.

301.4. Financial Audit

Purpose: This policy has been adopted by the Clearwater River Watershed District (CRWD) Board of Managers in order to provide guidance and direction on the annual financial audit performed for the CRWD. Under MN Statutes 103D.355, the CRWD is required to have an annual audit of its books and accounts.

Standard 1: An audit of the CRWD's books and accounts for the prior year is to be performed annually by the following June 1st.

Standard 2: The CRWD may hire a private certified public accountant or request the state auditor to perform the audit.

301.5. Annual Financial Statements

Purpose: This policy has been adopted by the Clearwater River Watershed District (CRWD) Board of Managers in order to provide guidance and direction on the preparation of the annual financial statements of the CRWD.

Standard 1: The CRWD will prepare and present its annual financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

Standard 2: The CRWD may have the same entity performing its financial audit create the annual financial statements of the CRWD.

301.6. Appeals of Special Assessments due to Parcel Splits and Combinations

Purpose: This policy has been adopted by the Clearwater River Watershed District (CRWD) Board of Managers in order to provide guidance and direction on the process to appeal a levied special assessment against a parcel that has been determined to be benefitted by a CRWD project.

Standard 1: At any time, an owner of property levied a special assessment by the CRWD may submit to either the CRWD Administrator or the CRWD Board of Managers via written correspondence information supporting a change in property status.

Standard 2: Upon receipt of information noted in standard 1 above, the Administrator will make appropriate inquiry to determine whether the change in status is supported. The CRWD's "Reapportionment of Benefits" policy will be followed in making this determination.

Standard 3: If the Administrator's inquiry determines the change in status is supported, the procedures detailed in the "Reapportionment of Benefits" policy will be followed. If not, both the owner of property and the CRWD Board of Managers will be notified of said determination.

Standard 4: Unless otherwise prescribed by law, the CRWD will not change a levied special assessment

Standard 5: All appeal decisions rest solely with the CRWD Board of Managers. All appeal decisions are final.

301.7. Fund Balance

Old policy #2012-1

Purpose: The following policy has been adopted by the Clearwater River Watershed District (CRWD) Board of Managers in order to address the implications of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the CRWD and jeopardize the continuation of necessary public services. This policy will ensure that the CRWD maintains adequate fund balances and reserves in order to:

- A. Provide sufficient cash flow for daily financial needs,
- B. Secure and maintain investment grade bond ratings,
- C. Offset significant economic downturns or revenue shortfalls, and
- D. Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the CRWD's fund balance and reserve policies.

Fund Type Definitions: The following definitions will be used in reporting activity in governmental funds across the CRWD. The CRWD may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

The **general fund** is used to account for all financial resources not accounted for and reported in another fund.

Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt services or capital projects.

Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Capital project funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the CRWD's activities.

Fund balance reporting in governmental funds: Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

Nonspendable fund balance – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

- The CRWD will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the CRWD) to the extent that such balances are not offset with liabilities and actually result in fund balance
- The CRWD will maintain a fund balance equal to the value of inventory balances and prepaid items
- The CRWD will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained intact.
- The CRWD will maintain a fund balance equal to the balance of any land or other non-financial assets held for sale.

Restricted fund balance – Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

Committed fund balance – Includes amounts that can be used only for the specific purposes determined by a formal action of the CRWD Board of Managers. Commitments will only be used for specific purposes pursuant to the formal action of the CRWD Board of Managers.

Assigned fund balance – Includes amounts intended to be used by the CRWD for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned fund balance – Includes the residual classification for the CRWD's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Operational guidelines: The following guidelines address the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications.

Committed fund balance – It is the policy of the CRWD that the CRWD Board of Managers may commit fund balance for any reason that is consistent with the definition of committed fund balance contained within GASB-54. The commitment of fund balance requires formal action and approval by the CRWD Board of Managers. The action to constrain amounts in such a manner must occur prior to year-end; however, the actual dollar amount may be determined in the subsequent period. After approval by the CRWD Board of Managers, the amount reported as committed fund balance cannot be reversed without utilizing the same process required to commit the funds.

Assigned fund balance – It is the policy of the CRWD that the CRWD Board of Managers may assign fund balance for any reason that is consistent with the definition of assigned fund balance contained within GASB-54. The CRWD Administrator will have the authority to assign fund balance of this organization based on intentions for use of fund balance communicated by the CRWD Board of Managers. Redeploying assigned resources to an alternative use does not require formal action by the CRWD Board of Managers.

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the CRWD to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the CRWD that the committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum unassigned fund balance – It is the goal of the CRWD to achieve and maintain an unassigned fund balance of the general fund equal to 25% of budgeted expenditures. The CRWD considers a balance of less than 20% to be a cause for concern, barring unusual or deliberate circumstances. Appropriation for projected budget deficits from unassigned fund balance shall require the approval of the CRWD Board of Managers and shall be only for one-time expenditures, such as capital purchases, and not for ongoing expenditures unless a viable plan designated to sustain the expenditures is simultaneously adopted.

Replenishing deficiencies – In the event that the unassigned fund balance of the general fund is less than this policy anticipates, the CRWD shall plan to adjust budget resources in the subsequent fiscal years to restore the balance. When fund balance falls below the minimum amount, the CRWD will replenish shortages/deficiencies using the budget strategies described below.

- The CRWD will reduce recurring expenditures to eliminate any structural deficit or,
- The CRWD will increase revenues or pursue other fund sources, or,
- A combination of the two options above.

Surplus fund balance – Fund balance will be considered a surplus if over 30% of the subsequent year's budgeted expenditures and outgoing transfers. The amount in excess of 30% is to be considered for reservation to accumulate funding for capital projects and equipment, and/or to reduce the tax levy requirements, and shall be determined in conjunction with the annual budget process.

Implementation and review: Upon adoption of this policy the CRWD Board of Managers authorizes the CRWD Administrator to establish any standards and procedures which may be necessary for its

implementation. The CRWD Administrator shall review this policy at least annually and make any recommendations for changes to the CRWD Board of Managers.