

# Accounting Policy

## 1. Background

- a) An accounting policy addresses the accounting methods utilized and the manner in which revenues are collected/recognized and expenditures are disbursed/incurred.

## 2. 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 accounting standards 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 each fiscal year as well as a preliminary year-end report.

## 3. 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 meet all standards of revenue and expenditures recognition.
- c) Purchase orders, contracts and other commitments for expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation.
- d) For funds that require an appropriation, the Board of Supervisors approval is required for the establishment of any new fund.

## 4. Capital Assets

- a) Capital assets shall be capitalized for unit costs greater than a \$5,000 expenditure for which useful life exceeds five years and meets capital definitions of land, building, improvements to building, infrastructure or equipment.
- b) Capital assets shall be depreciated over the estimated useful life of the asset using auditor accepted depreciation manners.
- c) Donated assets and related in-kind contributions
  - i) For those below \$2,500, the department head can authorize acceptance.
  - ii) For those between \$2,500 and \$25,000, the County Administrator can authorize acceptance.
  - iii) For those greater than \$25,000, the Board of Supervisor's authorization is needed for acceptance.

## 5. Check Disbursements and Bank Transfers

- a) All checks and bank transfers 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 for all disbursements and transfers that move County funds from a County account to a non-County account (e.g., debt service payments).
- b) Manual checks with dual signatures will only be issued in circumstances that are deemed appropriate by the Finance and Management Services Director.

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- c) All disbursements of funds will have proper supporting documentation attached (e.g., vendor's invoice) and be filed in a manner to provide the proper audit trail to such disbursement.
- d) Petty cash locations shall be established at Finance and Management Services and the Community Services Board.

## 6. Petty Cash

- a) Petty cash funds shall be maintained at two locations (County Complex and Rt. 1 Human Services Complex) in order to provide timely reimbursement for expenses incurred by an employee and/or department that do not exceed \$50 per transaction.
- b) Petty cash funds shall also be established at cashiering points with such funds utilized solely for cash drawers in providing change for County business transactions.
- c) Internal controls shall be followed in ensuring that any assigned person with oversight over petty cash fund distribution performs such function with appropriate reconciliations, safeguarding of petty cash, surety bond coverage and other control practices.

## 7. Record Retention

- a) All records shall be retained in accordance with the State of Virginia's Library and Archives Public Records Management policies.

## 8. General Ledger Entries

- a) All journal and budget entries shall contain at least two signatures authorizing entry with at least one signature representing a supervisor in Finance and Management Services.
- b) School Board journal entries shall contain at least two signatures with at least one signature representing a supervisor in School Board or County Finance and Management Services.

## 9. Fiscal Agent

- a) The County's role as fiscal agent for the Pamunkey Regional Jail Authority shall be in accordance with all County policies and procedures unless otherwise noted.

## 10. Accounting System

- a) The County shall maintain one centralized accounting system, including the School Board, whereby all payroll, general ledger, cash receipts, cash disbursements and other accounting transactions are properly recorded.

# **Accounting Regulations**

## **1. Financial Statements**

- a) The School Board and all of its funds (School, Cafeteria, Textbook and School Improvements) are classified as a discretely presented component unit of the financial reporting entity.
- b) The Industrial 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 is administered by the Sheriff's Office.
- f) Funds not administered by the County and not included in the CAFR include the School Activity Funds, which are administered by the individual schools and issued under separate financial statements.
- g) 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, Industrial Development, County Improvements, School, Textbook, Cafeteria, School Improvements, Public Utilities, Fleet Management and Benefits Management .
- 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)

# **Accounting Regulations**

- 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 when the interest costs are material in relation to total enterprise fund expenses and fixed assets.

## **3. Check Disbursements and Bank Transfers**

- a) 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 with proper supporting documentation.
  - iii) All refunds will provide supporting documentation evidencing that an over collection of such funds had occurred or other appropriate disposition regarding the refund.

## **4. Petty Cash**

- 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: \$1,300 (for use as change drawer only)
  - ii) Building Inspector: \$500 (for use as change drawer only)
  - iii) Finance and Management Services: \$500 (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)