SHELBY COUNTY GOVERNMENT
MANUAL OF FINANCE DEPARTMENT RULES & REGULATIONS

Reference: **FRR 01-1** Effective Date: 7-1-2009 Supersedes Date: 1-2-2008

Subject: **Manual of Finance Department Rules & Regulations**

I. Purpose

The purpose of this Finance Rule & Regulation (FRR) is to provide general information about the Manual of Finance Department Rules & Regulations. The purpose of the Manual is to provide an organized source of rules & regulations for matters that are the responsibility of the Finance Department. The primary focus will be placed on information helpful to other County departments and officials in understanding the rules and related processes followed by the Finance Department in providing services to other departments and performing its duties.

II. Authority

The County Charter, section 5.17 reads as follows:

> The head of any department, office or agency may, except as otherwise provided by law and subject to the approval of the county mayor, make rules and regulations for the conduct of that department, office or agency and to carry out its powers and duties.

III. Subject Matter to Be Covered

The subject matter that will be covered in the FRRs will include:

- forms and processes related to certain services or other matters handled by the Finance Department, such as check requests and time reporting for payroll purposes;
- reference information useful to other departments, such as the chart of accounts;
- the rules that will be applied to certain matters in the performance of Finance duties, such as approval requirements, timing, etc.;
- explanations or background information that might be helpful to other departments in understanding certain issues that affect the performance of Finance duties, such as the requirement for reporting payments to certain vendors to the I.R.S.,
- background information to help departments understand issues related to certain matters, such the taxation of employer provided vehicles;
- Other information that assist departments in matters handled by or through the Finance Department.

Rules and processes that are only of concern internal to the Finance Department will not be included in FRRs.

IV. General Information

A. Referencing: each rule & regulation will have a three-part reference assigned.
   1. The first reference part will always be "FRR."
   2. The second reference part will be a two-digit number to represent the major subject area. Subject areas assigned to date include the following:
      01 General Finance Information
      10 Budgeting
      18 Budget Carry Forward at Year-end
      21 General Accounting
      22 Grants Accounting

23 CIP Accounting
24 Capital Assets (Fixed Assets) Accounting
25 Financial Reporting
31 Accounts Payable Processing
32 Travel
33 Other Accounts Payable Subjects
40 Payroll
41 Compensation Tax Issues
50 Other Subjects

3. The third part will be numeric beginning with "1."
4. Other categories may be assigned as needed to maintain some order. A current Table of Contents will be issued periodically.

B. Standard sections to each rule & regulation may include the following when applicable:
- Summary. This will be a short paragraph describing what the FRR covers.
- Authority. When all or part of the FRR is based on some specific authority such as a resolution of the Board of County Commissioners, a State statute, etc., that authority will be stated. No authority will be cited when the FRR addresses matters that are inherent in the assignment of the area of responsibility to the Finance Department.
- Basic Policy/Policies. This will be a brief statement of the basic policy covered by the FRR, when appropriate.
- Body of FRR. The exact heading will vary depending on the subject, but his section will usually contain the details of procedures and processes and related information.
- Reference to Other FRRs or Sources. This will provide cross references to other FRRs, Purchasing or Personnel policies & procedures, or to other references that might be useful.
- Appendices. Included at the end will be any appendices needed. These may include lengthy explanation or details that tended to detract from an understanding of the FRR. Forms and instructions to forms may also be included as an appendix.

C. Current versions of all FRRs will be posted on a timely basis to the Finance Department's Intranet site.

D. Comments or questions about FRRs should be directed to the Deputy Administrator of Finance.

SHELBY COUNTY GOVERNMENT
MANUAL OF FINANCE DEPARTMENT RULES & REGULATIONS

Reference: **FRR 20-1** Effective Date: 6-3-2013 Supersedes Date: 9-5-2009

Subject: **Shelby County Government Accounting Policies**

I. Purpose.

The purpose of this FRR is to communicate the official "Shelby County Government Accounting Policies" as adopted by the County Commission. The most recent set of accounting policies was adopted on June 3, 2013. A full copy is attached.

II. General Information.

"Generally accepted accounting principles" (GAAP; see FRR 20-2) provide that certain transactions be accounting for and reported based on the accounting policy adopted by the reporting entity (the County). The SCG Accounting Policies complies with these requirements. Other items covered in the policies relate to budgetary issues, classification of revenues and expenditures and similar matters where County-wide consistency is needed.

III. Subjects Covered

The following subjects are covered in the official Accounting Policies.

1. Generally accepted accounting policies
2. Cash, cash equivalents and investments
3. Inventories
4. Interfund activities
5. Capital assets
6. Compensated absences
7. Claims and judgments
8. Encumbrances
9. Components of net assets and fund balance
10. Budgets
11. Revenues and expenditures

Attachment

Item #: 8

Moved by: BASAR

Seconded by: ______

Prepared by: Mike Swift

Approved by: ______

RESOLUTION ESTABLISHING AMENDED ACCOUNTING POLICIES AND CLASSIFICATIONS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. SPONSORED BY COMMISSIONER MELVIN BURGESS.

WHEREAS, Article III, Section 3.03(F), of the Home Rule Charter requires the Mayor to maintain the accounting systems of Shelby County Government in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities; and

WHEREAS, The County Commission established County-wide accounting policies with the adoption of Resolution No. 21 on April 25, 1988, and said policies were further amended by Resolution No. 19 on June 26, 1989, Resolution No. 17 on April 26, 1993, Resolution No. 51 on April 12, 2004 and Resolution No. 6 on June 1, 2009; and

WHEREAS, The Administration desires to update specific accounting policies based on current generally accepted accounting principles as standard for all Elected Officials, Boards and Agencies that are a part of Shelby County Government.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF SHELBY COUNTY, TENNESSEE, That the accounting policies in Exhibit A, which is attached and incorporated herein by reference, are hereby approved and adopted to be effective for the Fiscal Year Ending June 30, 2013.

BE IT FURTHER RESOLVED, That each Elected Official; Board and Agency are hereby directed to adhere to these policies and accounting classifications when maintaining the financial records and preparing the Comprehensive Annual Financial Report of Shelby County Government for the Fiscal Year Ending June 30, 2013, and each fiscal year thereafter.

BE IT FURTHER RESOLVED, That this Resolution shall become effective in accordance with the Shelby County Charter, Article II, Section 2.06(B).

BOARD OF COUNTY COMMISSIONERS SHELBY CO., TENN. AGRICULTURE COMMERCE

Mark H. Luttrell, Jr.
County Mayor

Date: 6-11-13

ATTEST:

Clerk of County Commission

ADOPTED: June 3, 2013

EXHIBIT A
CONTINUED

EXHIBIT A
SHELBY COUNTY GOVERNMENT
ACCOUNTING POLICIES

1. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Shelby County Government will maintain its financial records and financial reporting in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America as required by Article III Section 3.03F of the Shelby County Charter. The accounting policies herein are intended to supplement these accounting principles and should any of these policies ever conflict with such accounting principles, the accounting principles shall take precedence over these accounting policies. The Governmental Accounting Standards Board (GASB) establishes GAAP applicable to governmental entities.

Governmental financial reports include statements and schedules prepared using two different "measurement focus and basis of accounting" as prescribed by governmental GAAP. "Countywide" statements and schedules basically use full accrual accounting similar to for-profit businesses. There are only two countywide statements – the statement of net position (balance sheet) and the statement of activities (operating statement). Both are highly condensed statements and use what GAAP describes as "total economic resources measurement focus." Governmental funds use the "current financial resources measurement focus" which concentrates on the short-term inflows and outflows of financial resources. The County budgets and operates primarily based on governmental fund financial information, although the budgeting and financial activity has to constantly be aware of and sensitive to the long-term impact of current decisions. Proprietary funds and fiduciary funds also use the total economic resources measurement focus.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Investments and equity in pooled investments are stated at their related fair market values. The County pools substantially all of its cash, cash equivalents, investments and accrued interest receivable. Each fund participating in the investment pool owns a pro rata share in the pool. Investment income of the pool is allocated to the various funds based upon average investment balances.

3. INVENTORIES

Expendable supplies held by governmental funds are recorded as expenditures at the time such items are purchased and are not reflected as inventories because the amount of these supplies is insignificant. Inventories of business type funds are stated at cost generally on a first-in first-out basis - or market, whichever is lower, and are charged to operations when consumed.

4. INTERFUND ACTIVITES

EXHIBIT A
CONTINUED

Reciprocal interfund activity (exchange or exchange-like transactions), except interfund loans, is accounted for as fund revenues and expenditures or expenses (as appropriate). Interfund loans are accounted for as assets and liabilities and this activity is not reported in the statement of revenues and expenditures/expenses. Transactions which constitute reimbursements of a fund for expenditures, or expenses initially made from the fund which are properly applicable to another fund are recorded as expenditures or expenses (as appropriate) in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

All interfund transactions except loan/advances, reciprocal transactions, and reimbursements are accounted for as transfers.

5. CAPITAL ASSETS

Capital assets purchased for general governmental purposes are recorded as expenditures in the governmental funds and recorded at cost in the Countywide Statement of Net Position. Contributed assets are recorded at fair market value at the time of receipt. Infrastructure assets, principally, roads, bridges, curbs, gutters, streets, sidewalks, drainage systems, and lighting systems have been recorded retroactive to July 1, 1980.

Property and equipment of the proprietary funds (Enterprise and Internal Service Funds) are reported as assets of the funds rather than as expenses and are stated at cost or estimated cost. Depreciation expense on the capital assets is reported in the proprietary funds.

Depreciation for all applicable capital assets is charged as an expense to operations in the Countywide Statement of Activities. Accumulated depreciation is reported as a reduction of capital assets. Depreciation is provided over the estimated useful lives of the assets using the straight-line method of computing depreciation based on useful lives as follows:

Land improvements	10 - 30 years
Buildings	30 - 40 years
Equipment	3 - 20 years
Infrastructure	10 – 50 years

6. COMPENSATED ABSENCES

County employees are granted sick and annual leave in varying amounts in accordance with administrative policies and union memorandums of understanding. Accumulated vacation days are required to be used within eighteen months. In the event of termination or retirement, the employees are reimbursed for accumulated vacation days. Generally, employees not on the Executive Salary Schedule are compensated for accumulated sick leave, not to exceed 75 days, upon retirement. The amount of such payment is calculated on a maximum base salary of $20,000 per year. Certain exceptions to this policy occur in accordance with the terms of various union contracts.

EXHIBIT A
CONTINUED

Amounts paid for sick and annual leave are recorded in current salary expenditures of the Governmental Funds. In the Countywide Financial Statements and the business activities type funds, sick and annual leave obligations are recorded as expenses when such obligations accrue to the benefit of the employees.

7. CLAIMS AND JUDGMENTS

Claims and judgments, which can be reasonably estimated and could result in probable material losses to the county, should be given proper recognition under generally accepted accounting principles. For governmental type funds, the liability is recognized within the applicable fund if expected to be liquidated with expendable, available financial resources. All other material unpaid claims and judgments not to be liquidated with expendable, available financial resources are inventoried and recorded as a liability and expense in the Countywide Financial Statements. In business type funds, probable and measurable loss contingencies are recorded as incurred within the applicable fund.

8. ENCUMBRANCES

Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditures of funds expected to be liquidated with current resources are recorded in order to reserve that portion of the applicable appropriation - is utilized during the year to facilitate effective budgetary control. Unencumbered appropriations lapse at the end of each fiscal year, with encumbrances outstanding at the end of each year being reported as restricted, committed or assigned in the fund balance section of the appropriated fund's balance sheet or the amount outstanding may be disclosed in the notes to the financial statements.

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if unperformed purchase orders, contracts and other commitments in process at year-end are completed. For the General Fund and Enterprise Funds, purchase orders outstanding at year-end for supplies or services and any other purchase orders for less than $5,000 are considered to be expenditures of the year received and are not considered encumbrances under this policy. To be considered an encumbrance the acquisition or service should be in process as of year-end. Encumbrances outstanding at year-end do not constitute expenditures or liabilities but are treated as reservations of the appropriate fund's equity.

Therefore, the budget associated with each encumbrance outstanding at year-end will be reduced and a corresponding increase will be made to the next year's budget, without specific administrative or legislative approval required for either fiscal year. The year-end budgetary adjustment shall be to reduce each expenditure account budget, by the amount of the encumbrance, with an offset as a reduction in the planned change in fund balance. To the extent that encumbrances are funded by outside sources (such as grants or other reimbursements that are not recognized as revenue until an expenditure is incurred) the offset adjustment shall be to that outside source revenue instead of planned use of fund balances.

The next year's budgetary adjustment shall be to increase each expenditure account budget and each funding source (outside source tied to encumbrance or planned change in fund balance) in

EXHIBIT A
CONTINUED

the same amount as the prior year reduction. The effect of this process is to carry forward encumbrances and related budgets and to recognize the expenditure in the subsequent fiscal year when the liability is incurred. Should any encumbrance be cancelled, the budget shall be reduced by the remaining amount of such encumbrance.

9. COMPONENTS OF NET ASSETS AND FUND BALANCE

The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is called "net position" in the countywide statements and "fund balance" in governmental funds. GAAP defines certain categories into which the net position and fund balances are reported and the criterion for determining amounts that are reported in each category. In general the categories are based on the constraints on how resources can be spent and the source of those constraints. The category of "assigned fund balance" applies to resources that the County has determined should be set aside for particular purposes rather than the purposes being externally established. The Director of Administration & Finance is authorized to designate fund balances as "assigned" based on budgetary policy, Commission Resolution, or other factors supporting such classification.

10. BUDGETS

In accordance with Article III, Sections 3.03B, 3,03C, 3.03F and 3.07 of the Shelby County Charter, the Mayor shall annually submit to the County Commission a budget for all offices and operations of County Government including a Capital Improvement Program and a Debt Service budget, provided, however, that no budget shall be required or submitted for any fund which serves as an insurance type of fund. This policy does not require the approval of or specific adherence to any budget of any organization, which may be deemed to be independent or quasi-independent but still defined by generally accepted accounting principles as a part of Shelby County Government for financial reporting purposes.

In accordance with generally accepted accounting principles and the Shelby County Charter, a presentation indicating budgetary compliance as part of the general purpose financial statements is required for all governmental funds for which annual budgets are adopted. The Shelby County Charter provides that expenditures may not exceed appropriations by line item at the department level. For purposes of budgetary compliance, the following line items shall be deemed to exist in all departments and defined as follows:

REVENUES	EXPENDITURES/EXPENSES/TRANFERS
Property Taxes	Salaries-Regular Pay
Other Local Taxes	Salaries-Other Compensation
Intergovernmental - State	Fringe Benefits
Intergovernmental - Federal & Local	Salary Restriction
Charges for Services	Supplies & Materials
Fines, Fees and Permits	Services & Other Expenses
Investment Income	Professional and Contracted Services
Internal Service Fund Charges	Rent, Utilities & Maintenance
Other Revenue	Interfund Services

EXHIBIT A
CONTINUED

Capital Asset Acquisitions
Depreciation
Debt Service & Related Costs
Affiliated Organizations
Grants
Contingencies & Restrictions
Operating Transfers In
Operating Transfers Out
Other Financing Sources & Uses
Planned Change in Fund Balance

Additional accounting information will be maintained in detailed accounts for each line item. The Finance Department is responsible for the correct coding of transactions to the appropriate line item.

Annual budgets, which are submitted to and approved by the County Commission, shall be in the following categories:

I. Operating Budget
   A. General Fund
   B. Special Revenue Funds
   C. Enterprise Funds
   D. Internal Service Funds

II. Debt Service Budget
   A. Debt Service Funds

III. Capital Improvement Program Budget
   A. Capital Projects Fund

11. REVENUES & EXPENDITURES

The accrual basis of accounting is used in the Countywide Financial Statements, business type funds and fiduciary funds. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded as incurred.

The modified accrual basis of accounting is followed by governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. To be considered available, revenues must be collected within the following periods following the end of the applicable fiscal year: one month for property taxes, one year for grant revenues and two months for all other revenues Expenditures generally are recorded when the liability is incurred, but general long-term debt service (maturing principal, interest, and fiscal charges) are recorded when due.

EXHIBIT A
CONTINUED

In applying the "susceptible to accrual" concept to inter-governmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one case, monies must be expended on the specific purpose or project before any amounts will be paid to the County; therefore, revenues are recognized based upon expenditures. In the other case, monies are virtually unrestricted as to the purpose of the expenditure and are revocable only for failure to comply with prescribed compliance requirements, such as equal opportunity employment. These resources are reflected as revenues at the time of receipt or earlier if they are "susceptible to accrual."

Property taxes are normally recorded as revenues in the fiscal year of the levy if collected within one month, (by July 31) following the end of the fiscal year, in accordance with generally accepted accounting principles. Estimated delinquent taxes to be collected subsequent to July 31 are included in the balance sheet as property taxes receivable and deferred revenues to reflect amounts that were not available as revenues at year-end.

Gross receipts and sales taxes are considered both "measurable and available" when in the hands of the intermediary collecting agent and are recognized as revenue at that time. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until they are received. Investment earnings are recorded when earned since they are measurable and available.

SHELBY COUNTY GOVERNMENT
MANUAL OF FINANCE DEPARTMENT RULES & REGULATIONS

Reference: **FRR 31-14** Effective Date: 7-1-2009 Supersedes Date: None

Subject: **Accounts Payable-Documentation Requirements**

I. Purpose

The purpose of this FRR is to provide guidance to County departments and activities on the documentation requirements to support all disbursements of County funds in payment of goods and services. These general documentation requirements apply to payments made by check request (see FRR 31-15), purchase order payment (see FRR 31-16), procurement card, petty cash or any other method of payment. The purposes of the documentation requirements are to provide a reasonable basis for the approving official to make such approval and to provide a file documentation to support the reason for the disbursement and to answer questions that might be asked by auditors, grantors, County personnel, external parties under public records requests or other purposes.

II. Documentation Requirements

A. General Requirements
1. In general, the documentation to support all disbursements should be adequate to identify the exact goods or services being provided, the quantity of goods, scope of services, period of service, and similar information.
2. Anyone reviewing the disbursement documentation should be able to reasonably determine the goods or services procured and the cost in some detail. A good guide is to think of the information that would help the approved recall exactly what was being paid and why if a question came up 3 years later.
3. The specific guidelines to follow provide information on the preferred documentation; individual instances may require some variation of the documentation, but in all cases there must be reasonable documentation for the disbursement.

B. Specific Guidelines
1. For materials, supplies and other items where something tangible is delivered, the primary documentation should be an invoice, sales ticket or similar document that includes the following information:
   a. The identity of the vendor
   b. The date of the purchase or shipment
   c. Itemization of each separate item with a description or other reference that would permit identification of each specific item purchased
   d. The quantity of each item purchased
   e. The unit price and total price for each item purchased
   f. Shipping, handling or other related charges should be stated separately
   g. The total amount for the invoice or sales ticket.

   Most vendor "invoices" provide the level of information desired. Most cash register receipts also provide this information. Note: a "statement" that lists various invoices with an amount per invoice but without the details noted above is not considered adequate documentation.
2. For many services or a recurring nature, such as monthly telecommunications billings or maintenance agreements, the invoice should include the period of the service covered by the billing, including any breakout of separate charges.

3. For services that are not recurring in nature, such as professional services, the invoice or similar billing document should clearly specify the period of the services, the quantity of services where that is a factor in the billing amount, the nature of the services, etc. Where such services have been defined in phases or similar parts, the documentation should specify the phase of part to which the billing applies. The detail of the billing should reflect the basis on which the vendor is paid; if the amount of service (hours, days, etc.) provided is a factor, the billing should include the quantity being billed. If itemized costs are being reimbursed, some detail of those costs should be reflected on the billing.
4. The three points above describe the documentation that most vendors provide and that meets the County's normal documentation requirements. Where this normal documentation is not required, other reasonably documentation can be accepted. For example, purchases from Internet sources may be supported by a copy of the order printed at the time the order was placed together with a packing slip included with the shipment.
5. Memberships and subscriptions often can be supported by an invoice from the organization or vendor; this is preferred. In other cases a copy of the order form showing the cost and period covered may be retained as documentation.
6. When adequate documentation is not provided by the vendor, the procuring department should supplement the billing with a memorandum of explanation of the details of the goods or services and why adequate vendor documentation is not available.
7. The Finance Department will make the determination of what constitutes adequate documentation, sometimes in consultation with the Purchasing Department of other officials.