

MAINTENANCE FACILITIES

Maintenance Facilities are eligible for State Aid funds when approved by the District State Aid Engineer (DSAE) and the State Aid for Local Transportation (SALT) Engineer.

- A resolution is required.
- Facilities may be financed with State Aid Bonds per Mn Statute 162.181, Subd. 1.
- Annual depreciation for this facility should not be charged to the CSAH system.

Approval Process

1. A request for approval must be sent to the DSAE and include the following:

- Information regarding the use of the facility
- Total estimated cost of the facility
- What percent of the cost of the facility is attributable to State Aid

This can be justified by:

1. Percent of CSAH mileage to total mileage, or by
2. Percent of CSAH expenditures to total cost

Lump sum payment requests may be approved. If a lump sum payment is preferred, it must be equal to or less than the amount approved based on either % method above. Identify payment as a "lump sum" on the request.

2. DSAE reviews request, makes recommendation for reimbursement and forwards to SALT Engineer for review and final approval.
3. SALT Engineer notifies county of the approved percent or lump sum and forwards copy of county request and approval letter to State Aid Finance (SAF).

Partial Payment Process

1. County obtains State Aid Project number from SALT.
2. County submits State Aid Payment Request identifying the costs as Maintenance Facility in the "Other Costs" section of the form, for up to 95% of the estimated cost of the facility.
 - The amount requested should use the same percentage of total cost or lump sum amount as approved by SALT.
 - DSAE is not required to approve State Aid Payment Request for Maintenance Facilities. Payment request may be sent directly to SALT.
3. If the facility is being funded with State Aid Bonds
 - The county must submit a bond schedule to SAF.
 - A State Aid Payment Request is required to be applied against the bond.
 - If the final cost is less than bond principal, excess funds must be repaid to the county or municipalities state aid account or bond principal payments reduced to total cost and remaining principal paid from local funds.

Final Payment Process

1. Once the facility has been constructed, a final payment request must be submitted to SALT.
 - If total cost exceeds 20% of the original approved amount, SAF will forward to SALT for approval.
 - DSAE is not required to approve State Aid Payment Request for Maintenance Facilities.

FEMA OVERPAYMENTS

In the event of a disaster the county should isolate the costs related to the recovery. Recovery costs that are not reimbursed by disaster or FEMA funds may be included in the Annual Maintenance Expenditure Report.

FEMA reimbursements occur a year or two after the recovery costs have been reported and overpayments are rare, if an overpayment does occur the amount most likely would be insignificant and would not have to be reported.

NON STATE AID BONDS

General Obligation Bonds issued by the county are usually accounted for in the debt service fund. In some instances the bonds are accounted for in the county highway fund. This section illustrates both instances.

Bonds Accounted for in Debt Service Fund

Funds from a general obligation bond are transferred to the highway fund:

Accounting Entry - to post Bond Proceeds

Date: MM/DD/YYYY

Explanation: Proceeds from Debt Service – General Obligation Bonds

Debit Account: (*asset*) Cash

Credit Account: (*revenue*) Proceeds from Sale of Bonds

Amount: Amount of transfer

Bonds Accounted for in Highway Fund

Funds from the sale of general obligation bonds are reported to the highway fund, as reported on the bond settlement statement:

Accounting Entry - to post sale of general obligation bonds

Date: MM/DD/YYYY

Explanation: Sale of General Obligation Bonds

Debit Account: (*asset*) Cash

Credit Account: (*revenue*) Proceeds from Bonds Issued

Amount: Amount of bond proceeds

Funds from interest earned reported to the highway fund, as reported on the bond settlement statement:

Accounting Entry - to post interest earned on bond funds

Date: MM/DD/YYYY

Explanation: Interest earned on general obligation bonds

Debit Account: (*asset*) Cash

Credit Account: (*revenue*) Interest earned

Amount: Amount of bond interest

Funds for premium on general obligation bond received to the highway fund, as reported on the bond settlement statement:

Accounting Entry - to post premium on general obligation bonds

Date: MM/DD/YYYY

Explanation: Premium on general obligation bonds

Debit Account: (*asset*) Cash

Credit Account: (*revenue*) Premium on General Obligation Bonds

Amount: Amount of bond premium

Funds for discounts or issuance costs deducted from general obligation bonds, as reported on the bond settlement statement:

Accounting Entry - to post discounts on general obligation bonds

Date: MM/DD/YYYY

Explanation: Discounts / charges to general obligation bonds

Debit Account: (*county exp*) Disc/charges to general obligation bonds

Credit Account: (*asset*) Cash

Amount: Amount of discount or issuance charges

If bond covenants restrict levy used to pay back bonds, a reserve for debt service must be setup.

Accounting Entry – Reserve for debt service

Date: 01/01/YYYY

Explanation: Reserve for debt service

Debit Account: (*fund bal*) Unreserved/Undesignated Fund Balance

Credit Account: (*fund bal*) Reserve for debt service

Amount: Amount of (bond principal + interest + charges)

The County Highway Accountant should recognize (assuming an accrual basis of accounting) the liability due the bonding company.

Book bond principal liability to bonding company

Accounting Entry - for amount of Bond Principal Due

Debit Account: (*county exp*) Bond Principal

Credit Account: (*liability*) Accounts Payable

Book bond interest expense and liability to bonding company

Accounting Entry - for amount of Bond Interest Due

Debit Account: (*county exp*) Bond Interest Expense

Credit Account: (*liability*) Accounts Payable

Book bond company service charge

Accounting Entry - for amount of Bond Company Service Charge

Debit Account: (*county exp*) Bond Service Charge

Credit Account: (*liability*) Accounts Payable

County pays the bonding company the amounts due for bond principal, interest and service charge.

Accounting Entry - for amount of disbursement to the Bond Company

Debit Account: (*liability*) Accounts Payable

Credit Account: (*asset*) Cash

Relieve the the Reserve for Debt Service:

Accounting Entry – Relieve reserve for debt service

Date: MM/DD/YYYY

Explanation: Relieve reserve for dbt service

Debit Account: (*fund bal*) Reserve for Debt Service

Credit Account: (*fund bal*) Unreserved/Undesignated Fund Balance

Amount: Amount of (bond principal + interest + charges)

SHARED FEDERAL REVENUE

When more than one local government has a project as part of a DCP it is the administering government that recognizes all federal revenue from the DCP. The administering government does not capitalize the projects from the other governments.

State Aid funds that are forwarded to the administering government from the other participating governments are to be recognized as reimbursements, these funds may be posted to revenues, they are not required to be netted to expenditure accounts.

ADVANCE OF STATE AID FUNDS FOR FEDERAL PROJECTS

If the county has funds available in their State Aid Construction Accounts they may use these funds in lieu of Federal funds on a DCP. The state aid payments are recognized in the following examples:

For State Aid Construction funds that are received in lieu of federal funds:

Accounting Entry - for amount of payment

Debit Account: (*asset*) Cash

Credit Account: (*liability*) Due to State Aid Federal Funds

Debit Account: (*liability*) State Aid deferred revenue (Reg. or Muni. Const.)

Credit Account: (*asset*) State Aid allotment (Reg. or Muni. Const.)

If Federal funds become available, SAF will transfer the amount of the Federal reimbursement back to the county's State Aid construction account and the following entries will be required. This transfer may occur within the same year or in future years.

For transfer of Federal funds to State Aid construction account to reimburse State Aid funds and recognize federal revenue.

Accounting Entry - for amount of Federal transfer notice

Debit Account: (*liability*) Due to State Aid Federal Funds

Credit Account: (*revenue*) Federal Construction Revenue

Debit Account: (*asset*) State Aid allotment (Reg. or Muni. Const.)

Credit Account: (*liability*) State Aid deferred revenue (Reg. or Muni. Const.)

If the county does not have funds available in their State Aid Construction Account they may advance State Aid funds. The entries for recognizing State Aid revenues for Federal funds would be the same as those discussed above. The discussion below describes the entries required to recognize the State Aid Advance of funds.

ADVANCE RESOLUTION

If the county needs to borrow State Aid Funds in excess of their account balance it is mandatory for the county board to pass a resolution. A copy of the resolution must be sent to the SAF. The county engineer will be notified upon receipt of the resolution.

A resolution is not required when using State Aid funds in lieu of federal funds if there are sufficient funds available in the State Aid Account.

TRANSFER FOR HARDSHIP CONDITION OR OTHER LOCAL USE**Hardship**

When the county board desires to use a part of its State Aid allocation off an approved State Aid system, it shall certify by resolution that it is experiencing a hardship condition in regard to financing its local roads while holding its current road and bridge levy or budget equal to or greater than the levy or budget for previous years. Approval may be granted only if the county board demonstrates that the request is made for good cause (flooding, disaster, etc.). If the hardship condition is approved, without requiring progress reports and within 30 days, an immediate payment of at least 50 percent of the total amount authorized will be made, with the balance to be paid within 90 days, or an immediate payment of the entire amount authorized will be made upon determining that sufficient funds are available.

State Aid funds received for hardship condition:

Accounting Entry - for amount of State Aid payment

Debit Account: (asset) Cash

Credit Account: (asset) State Aid Construction Allotment

Accounting Entry - recognize revenue for amount State Aid payment

Debit Account: (liability) State Aid Deferred Revenue

Credit Account: (revenue) State Aid Construction Revenue

Refer to page 16.11 for increasing or decreasing maintenance allotments.

Other Local Use

When the county board desires to use a part of its State Aid allocation on local roads not on an approved State Aid system, it shall certify by resolution that its State Aid routes are improved to State Aid standards or are in adequate condition that does not have needs other than additional surfacing or shouldering needs identified in its State Aid Needs report. The portion of the county apportionment attributable to needs may not be used on the local system.

A construction project for a local road not on an approved State Aid system and not designed to State Aid standards will not be given approval by the State Aid for Local Transportation Division unless the plan is accompanied by a resolution from the respective county board that indemnifies, saves, and holds harmless the state of Minnesota and its agents and employees from claims, demands, actions, or causes of actions arising out of or by reason of a matter related to constructing the local road and agree to defend at the sole cost of the county any claim arising as a result of constructing the local road.

Payments for Other Local Use must be requested on the State Aid Payment Request Form, the accounting entries are the same as those made for Regular and Municipal State Aid Construction. See Chapter 3 REGULAR AND MUNICIPAL CONSTRUCTION ACCOUNTS, page 3.1, for further discussion.

OTHER ACCOUNTING ISSUES
REVISION OF COUNTY MAINTENANCE APPORTIONMENTS

The commissioner may, upon recommendation of the screening board or upon receipt of a resolution from a county board and for good cause shown, increase or decrease the proportion to be used for maintenance for a requested year.

Maintenance proportion is increased:

Accounting Entry - recognize increase to Maintenance

Debit Account: (asset) Maintenance Allotment

Credit Account: (liability) Maintenance Deferred Revenue

Accounting Entry - recognize reduction to Construction

Debit Account: (liability) Construction Deferred Revenue

Credit Account: (asset) Construction Allotment

Maintenance proportion is decreased:

Accounting Entry - recognize decrease to Maintenance

Debit Account: (liability) Maintenance Deferred Revenue

Credit Account: (asset) Maintenance Allotment

Accounting Entry - recognize increase to Construction

Debit Account: (asset) Construction Allotment

Credit Account: (liability) Construction Deferred Revenue