

## **CHAPTER 20 REVENUE SHARING FUND**

### **20.01 DEFINITIONS**

As used in this Chapter, the definitions adopted pursuant to 31 Code of Federal Regulations, Subtitle B, Part 51, Federal Assistance to State and Local Governments, Are hereby adopted by reference.

### **20.02 PROCEDURES AND AUDITING**

#### **Subd. 1 Establishment of Trust Fund**

There is hereby established and created a trust fund wherein there shall be deposited all entitlement funds received by the Municipality pursuant to the Revenue Sharing Act. The trust fund shall be established on the books and records of the Municipality as a separate set of accounts and shall be accounted for in a manner customarily followed in accounting for trust or other segregated funds, or a separate bank account may be established.

#### **Subd.2 Uses of Trust Fund**

Such funds shall be used of appropriated, including any interest earned thereon, within twenty-four months from the date of the check received by the Municipality pursuant to the Revenue Sharing Act, unless permission is obtained from the Secretary for a longer period within which the funds may be utilized. Permission for an extension of time in which to utilize the fund must be obtained by application to the Secretary. Such application will set forth the facts and circumstances supporting the need for more time and the amount of additional time required.

#### **Subd. 3 Expenditures**

The Municipality shall provide for the expenditure of entitlement funds in accordance with the laws and procedures applicable to the expenditure of its own revenues.

#### **Subd. 4 Accounting Procedures**

The Municipality shall use the fiscal, accounting, and reporting procedures relative to entitlement funds as are used with respect to expenditures made from revenues derived from its own sources. The fiscal accounts shall be maintained in such manner as to permit the reports required by the Secretary to be prepared there from.

#### **Subd. 5 Examination**

The Municipality shall provide to the Secretary and to the Comptroller General of the United States, on reasonable notice, access to and the right to examine such books, documents, papers, or records as the Secretary may reasonably require for the purpose of reviewing compliance with the Revenue Sharing Act and the regulations of this part or, in the case of the Comptroller General, as the Comptroller General may reasonably require for the purpose of reviewing compliance and operations under the Acts.

#### **Subd. 6 Auditing and Evaluation**

##### **(A) Scope of Audit**

The Secretary shall provide for such auditing, examination, evaluation, and review as may be necessary to insure that expenditures of entitlement funds by the Municipality comply with the requirements of the Revenue

Sharing Act and regulations adopted. The scope of such review or examination shall include a review of the Municipality's accounting for such funds with appropriate attention paid to verifying compliance with the requirements of the Revenue Sharing Act and regulations adopted.

(B) Reliance on State, County, or Municipal Auditors

The Secretary may rely on independent public accountants when in his judgment this may reasonably be done consistent with the provisions of the Revenue Sharing Act and regulations adopted. Such audits shall be performed in accordance with generally accepted auditing standards. Audit work papers will be retained for three (3) years after the close of the first entitlement period unless released earlier by the Secretary. Audit work papers will be made available to the Secretary and to the Comptroller General or to their representatives. The Governor or Chief Executive Officer will submit audit reports to the Secretary when an audit report indicates a possible failure to comply substantially with any requirements of the Revenue Sharing Act or regulations adopted.

**20.03 PROHIBITIONS AND RESTRICTIONS ON USE OF FUNDS**

Subd. 1 Matching Funds

(A) In General

The Municipality may not use any part of its entitlement funds as a contribution in order to obtain any matching federal funds under any federal program.

(B) Use of Entitlement Funds to Supplement Federal Grant Funds

The prohibition on use of entitlement funds in paragraph (a) does not prevent the use of such funds to supplement other federal grant funds.

Subd. 2. Permissible Expenditures.

(A) In General

Entitlement funds received may be used only for priority expenditures. As used in this part, the term "priority expenditures" means:

(1) Ordinary and necessary maintenance and operating expenses for:

- a. Public safety (including law enforcement, fire protection, and building code enforcement);
- b. Environmental protection (including sewage disposal, sanitation and pollution abatement);
- c. Public transportation (including transit systems and streets and roads);
- d. Health;
- e. Recreation;
- f. Libraries;
- g. Social services for the poor or aged;
- h. Financial administration;

(2) Ordinary and necessary capital expenditures authorized by law.

(B) Non-priority Expenditures

The Municipality may not use entitlement funds for non-priority expenditures, which are defined as any expenditure other than those, included above. The Mayor of the Municipality must certify to the Secretary that entitlement funds received by it have been used only for priority expenditures as required by the Act.

(C) Effect of Non-compliance

In case the Municipality uses an amount of entitlement funds for other than priority expenditures, it will pay over to the Secretary an amount equal to 110% of any amount expended in violation of the Revenue Sharing Act, unless such amount is promptly repaid to the trust fund of the Municipality after notice by the Secretary and opportunity for corrective action.

**20.04 DISCRIMINATION PROHIBITED**

No person in the Municipality shall, on the grounds of race, color, national origin or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with entitlement funds.

**20.05 WAGE RATES**

(A) Construction laborers and mechanics

The Municipality shall require that all laborer's and mechanics employed by contractors or sub-contractors in the performance of work or any construction project, twenty-five percent (25%) or more of the costs of which project are paid out of its. Entitlement funds will be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor, and will be covered by laborer standards specified by the Secretary of Labor.

(B) Government employees

When the Municipality employs individuals whose wages are paid in whole or in part from entitlement funds, that said wages must not be lower than the prevailing rates of pay for persons employed in similar public occupations by the same employer. However, this subdivision shall apply with respect to employees in any category only if twenty-five percent (25%) of the wages of all employees of the Municipality in such categories are paid from the trust fund established by it under this chapter.