

EVANS FIRE PROTECTION DISTRICT

Financial Policies

Adopted January 2021

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101 Financial Operations

101.1 Financial Planning Policies

These financial policies are in compliance with the Colorado Special District Act, C.R.S. § 32-1-101, et seq., the Colorado Local Government Budget Law, C.R.S. § 29-1-101 et seq., the Colorado Local Government Audit Law, C.R.S. § 29-1-601 et seq., the Public Deposit Protection Act, C.R.S. § 11-10.5-101 et seq., TABOR, and all other laws, rules, and regulations governing the District's financial management. The Board may modify these Financial Policies at any time in its sole discretion on the affirmative majority vote of the Board members, subject to the requirements of the foregoing laws, rules, and regulations.

101.2 Definitions

Except as defined elsewhere in these Financial Policies the following definitions shall apply:

- C.R.S – Colorado Revised Statutes, as amended from time to time.
- Local Budget Law – Colorado Local Government Budget Law, C.R.S. § 29-1-101 *et seq.*
- Bid – An offer of a price for goods or services by a vendor in accordance with specific criteria, advertising, and selection process at the request of District staff.
- Program Manager – A member of District staff who has been assigned specific responsibility by the Fire Chief for overseeing a specific District program, and who is responsible for managing the program's operating budget in accordance with these Financial Policies.
- Quote - An offer of a price for goods or services by a vendor through personal contact, internet search, or telephone at the request of District staff.
- Request for Proposal/Request for Qualification (RFP/RFQ) – Request as generated by District staff for proposals on a specific good or service, or the qualifications of a given entity or individual to provide a specific good or service. The RFP or RFQ will specifically outline the requirements necessary for the good or service.
- TABOR – The Taxpayer's Bill of Rights, Colo. Const. art. X, § 20

101.3 Overview

This manual has been prepared to document the internal accounting procedures for the Evans Fire Protection District (the "District"). Its purpose is to ensure that assets are safeguarded, that financial statements are in conformity with generally accepted accounting principles, and that finances are managed with responsible stewardship.

All personnel with a role in the management of the District's fiscal operations are expected to uphold the policies in this manual. It is the intention of the District that this accounting manual serves as our commitment to proper, accurate financial management and reporting.

The Fire Chief, together with the assistance of administrative staff, is responsible for preparing financial reports for the Board of Directors and outside agencies. Along with monthly operating reports provided to the Board, the Fire Chief and administrative staff are responsible for preparing the annual audited financial statements which are certified by an independent Certified Public Accountant firm and provided to the State Auditor and outside agencies.

Periodic reports are also produced for internal use by Program Managers for the purpose of reviewing the accuracy and propriety of revenue and expense transactions made to their accounts. These reports show monthly and year-to-date revenues, expenditures, and net revenues by account. Additionally, they present the original annual budget and revised budgets for these accounts.

101.4 Responsibilities of Financial Operations

The primary responsibilities within Financial Operations consist of:

- General Ledger
- Budgeting
- Cash and Investment Management
- Asset Management
- Grants and Contracts Administration
- Cash Receipts
- Cash Disbursements
- Accounts Payable
- Payroll
- Financial Statement Processing
- External Reporting of Financial Information
- Bank Reconciliations and Reconciliation of Sub-Ledgers
- Annual Audit and Compliance with Government Reporting Requirements

To the extent reasonably practicable, the financial planning and subsequent budgeting for all funds shall, be based on the following policies:

- Five-year plans - The District will strive to prepare annually a five (5) year financial long-range plans ("LRP(s)") for each fund. Each LRP will include revenues, expenditures and other sources and uses with sufficient detail to identify trends and items with major impact.
- Conservative revenue estimates - Revenue estimates should be prepared on a conservative basis to minimize the possibility that economic fluctuations could imperil ongoing service programs during the budget year.
- Include contingencies - Expenditure estimates should anticipate contingencies that are foreseeable.
- Include asset management plan ("AMP(s)") on LRPs. The District will strive to prepare five-year AMPs as part of the LRPs. The five-year AMPs will include Goods with a life of one year and value up to \$25,000.
- Use proven methods - The District will constantly test both its planning methodology and use of planning tools in order to provide information that is timely, accurate and widely disseminated to citizens and staff.
- Economic System - The District recognizes it is in a complex regional economic system. The District should have the capacity to evaluate and anticipate changes in both regional and national economic systems in order to engage in strategic financial and management planning. The purpose of these plans will be to allow the Board and citizens to evaluate the impact of the financial needs of these programs on the regional economy and to coordinate funding needs with all funds.
- Fire Chief –The Fire Chief will serve as the District Budget Officer pursuant to the Local Budget Law and will prepare financial plans for operations, asset management and capital needs. The Fire Chief may delegate finance, budget, and planning duties to other subordinate staff.

- Regular status reports - The Fire Chief will strive to continually update the LRPs when any significant change occurs or is anticipated. The Fire Chief may distribute the LRPs to the Board at any time to inform the Board. The LRPs will be submitted to the Board for approval as frequently as is practicable and informative. The first update should follow the closing of the year and include a final comparison of actual to budget for the completed year. The second report should be presented before the presentation of the annual budget and include an update on the current budget and estimates.

101.5 Division of Duties

The following is a list of personnel who have responsibilities within the financial operations:

Fire Chief:

- Reviews and approves draft financial reports for consideration by the Board.
- Reviews and approves draft annual budget and any supplemental budgets for consideration by the Board in accordance with the Local Budget Law.
- Reviews all vouchers and invoices for those checks which require his or her signature.
- Reviews and approves all contracts for goods and services of up to \$25,000.
- Reviews bank statements and reconciliations.
- With the Business Manager, and input from the Program Managers and Board of Directors, develops the annual budget.
- Recommends inter-fund transfers for Board consideration in accordance with Local Budget Law.
- Approves all reimbursements, except for reimbursements to him- or herself.
- Manages the assets accounts.
- Serves as the Benefits Administrator

Business Manager:

- Acting Accounts Receivable Administrator and Accounts Payable Administrator.
- Processes invoices and payments.
- Processes all receipts and disbursements.
- Acting Payroll Administrator: Processes the payroll, including payroll tax returns.
- Responsible for Budget Maintenance.
- Responsible for File Maintenance.
- May recommend inter-fund transfers to the Fire Chief for consideration.
- Maintains and reconciles the general ledger monthly.
- Prepares all financial reports.
- Reconciles the bank accounts.
- Double-checks all reimbursement requests against receipts provided.
- Responsible for the transcription of meeting minutes.

Program Managers:

- Develops first draft of program budget(s) and works with the Fire Chief to finalize.
- Accountability to approved program appropriations in purchasing decisions and in approving invoices within that program.

Board Members:

- Reviews and approves all financial reports.
- Reviews and approves annual budget.
- Approves reimbursements to the Fire Chief.
- Reviews and selects the successful bidder or responder on all RFPs, RFQs, and invitations to bid.
- Reviews and approves all contracts for goods and services of greater than \$25,000.
- Establishes the District's financial policies and approves procedures.
- Provides oversight of financial activities and staff's adherence to established District policy.
- Provides a second signature on checks and financial documents as needed.
- Approves and adopts the annual budget, supplemental budgets, and related resolutions, appropriates funds, and certifies the mill levy.

102 General Ledger and Chart of Accounts

102.1 Introduction

The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all financial transactions of the District and is supported by subsidiary ledgers that provide details for certain accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

The District accounting program records all transactions and provides for separate, self-balancing sets of accounts in accordance with generally accepted accounting principles and procedures for governments.

102.2 Policy

The District's policy is to establish a chart of accounts which accumulates all financial transactions of the District. The chart of accounts includes fund/account codes for general ledger activity and account codes for subsidiary ledger entries.

102.3 Chart of Accounts Overview

The chart of accounts is the framework for the general ledger system, and therefore the basis for the District's accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense and gain and loss.

102.4 Control of Chart of Accounts

The District's chart of accounts is monitored and controlled by the Business Manager. Responsibilities include the handling of all account maintenance, such as additions and deletions. Any additions or

deletions of accounts should be approved by the Fire Chief, who ensures that the chart of accounts is consistent with the organizational structure of the District.

102.5 Fiscal Year

The District's fiscal year begins January 1 and ends December 31.

102.6 Journal Entries

All general ledgers entries that do not originate from a subsidiary ledger shall be supported by journal vouchers or other documentation, which shall include a reasonable explanation of each such entry. Examples of such journal entries include:

- Recording of non-cash transactions
- Corrections of posting errors
- Non-recurring accruals of income and expenses
- Reconciling items

Certain journal entries, called recurring journal entries, may occur in every accounting period, quarterly, or annually. These entries may include, but are not limited to:

- Depreciation of fixed assets
- Amortization of prepaid expenses
- Accruals of recurring revenues and expenses
- Amortization of deferred revenue
- Payroll Register Audit Adjustment at fiscal year end
- Accrued Compensated Absences at fiscal year end

Support for recurring journal entries shall be in the form of a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, in the form of a journal voucher.

It is the policy of the District that all journal entries not originating from subsidiary ledgers shall be approved in writing by the Fire Chief by initialing or signing and dating the entries. For the Chief's approval, a report detailing all journal entries is run monthly, along with a copy of the approved prior month's journal entry report, in order to confirm that the entries are in numerical order and all entries have been accounted for.

103 Revenue and Accounts Receivable

103.1 Revenue Procedure Policies

The District receives revenue from several types of transactions. Revenue for each of these types is recognized in the financial statements in the following manner:

- **Property Taxes and Specific Ownership Taxes** – Property taxes and Specific Ownership taxes collected for the General Fund are received monthly from the County via a wire to the District's checking account. The amount received is reconciled to the monthly statement received from the County and booked into the General Ledger in the month received. Any amounts due the District at year-end are accrued.
- **Fire Prevention Bureau Fees** – All fees collected in regard to fire prevention activities or hazardous materials response.

- **Grants** – Grants include all amounts received or made available by grants from government agencies, nonprofits and/or local businesses. Revenue from grants is recognized as expenses are incurred. Grant revenue received and expended within the same fiscal year is included as temporarily restricted revenue and net assets released from restrictions in the Statement of Activities. Any grant requiring District matching funds greater than \$25,000 shall be approved by the Board before the application is submitted.
- **Interest and Dividends** – Revenue is recognized when cash is received and accrued at year-end.
- **Inter-Governmental Agreements** - The District may receive funds from other local governments, such as the City of Evans and/or neighboring fire protection districts, pursuant to intergovernmental agreements entered into with those local governments.
- **Miscellaneous Revenue** – All other income not categorized above, such as donations, or gain (loss) on Sale of Surplus Property, will be accounted for as miscellaneous revenue.

104 Purchasing and Accounts Payable Management

104.1 Overview

The District strives to maintain efficient business practices and good cost control. The accounts payable function assists in accomplishing this goal through processing invoices and making payment for authorized transactions.

The recording of assets or expenses and the related liability is performed by the Business Manager. The amounts recorded are based on the vendor invoice for the related goods or services. The vendor invoice is supported by an approved purchase order where necessary and is reviewed and approved by the Program Manager prior to being processed for payment. Invoices and related general ledger account distribution account codes are reviewed prior to posting to the subsidiary system.

104.2 Policy

The District policy related to processing and payment of invoices requires that:

- The vendor master file be maintained and updated on a regular basis.
- Only original invoices will be accepted for payment.
- Disbursements are properly authorized.
- Invoices are processed in a timely manner.
- Duplicate payments are avoided.
- Vendor credit terms and operating cash are managed for maximum benefits.

104.3 Vendor Master File

The District's purchasing staff member is responsible for obtaining appropriate documentation to establish new vendors. When payment is requested for a new vendor or person, the purchaser will forward the appropriate documentation to Accounts Payable for processing. The Accounts Payable Administrator will ensure the following information is provided:

- Vendor's legal name and any DBA name(s)
- Street Address
- Telephone Number
- Contact name

104.4 Receipt and Recording of Payment Requests

The Any invoices received by the Accounts Payable Administrator will be forwarded to the Program Manager for review and approval.

All accounts payable transactions must be supported by adequate documentation that explains the nature and purpose of the expense. When not paid by credit card pursuant to Section 104.5 below, accounts payable transactions are processed for payment on the next check run, unless a future date is specified. Information is entered into the accounts payable system from approved invoices or disbursement vouchers with appropriate documentation attached.

verification must be made that the invoice has not been paid previously. Vendor statements shall not be used to support payments.

104.5 Processing of Invoices

All invoices will be directed to the Program Manager for review to ensure the nature, quantity, and prices of all items on the vendor invoice match the items or services received.

When possible, purchasing agents shall make payments with a credit card. Should the vendor not accept cards the purchasing agent will initial the invoice and mark it “ok to pay” along with the date. The signed invoice will be given to the Accounts Payable Administrator for payment with the next regular check run.

If a vendor charges a credit card processing fee that will exceed \$50 the invoice must be paid by check.

104.6 Processing Checks

Checks are processed monthly for signature at the regularly scheduled Board meetings. All checks more than \$5,000 will require two signatures, checks less than \$5,000 will only require one signature. After processing the check run, the Accounts Payable Administrator will coordinate with the Fire Chief or Board members to obtain the necessary signatures. At the time of signing, the entire invoice/check package is reviewed by the signer in detail prior to signing.

104.7 Reconciliation of Accounts Payable Subsidiary Ledger to General Ledger

Posting of the Accounts Payable transactions are automatic to the General Ledger, no reconciliation is required.

104.8 Purchasing Limits

The following purchasing limits are established:

	Goods or Services	Life	Value	Final Approval	Requirements
AMP	Goods only	1 year or more	Up to \$25,000	Fire Chief	Minimum 2 bids, unless sole source
CIP	Either	5 years or more	Greater than \$25,001	Board of Directors	• Minimum 2 bids, unless sole source or state purchase • One bid if below state purchase
			Greater than \$100,000		• RFP/RFQ for purchase

104.9 Bids and Contracts

The District requires staff to solicit bids for any purchase of goods with a life of more than one year. A minimum of two bids is required before a purchasing decision is made, unless the goods are only available from a sole source. Capital projects up to \$100,000 require a minimum of two bids unless there is a sole source provider or are purchased through the state purchase program. Goods may be purchased from a vendor that meets or beats the state purchase price without soliciting additional bids.

These requirements may be waived by the Board for ongoing service contracts where the past experience related directly to the District is a compelling reason to continue a service contract from year to year. Selection of vendors, contractors, or consultants may be based on past experience with the District, knowledge of the District and region, philosophy of the nature of the job, availability of time, quality of product, quality of service and material, maintenance, warranties, price and such other criteria as deemed appropriate for a particular public project. Selection of a vendor on contracts greater than \$25,000 is subject to District Board approval of the contract.

When an invitation for bid, RFP, or RFQ is required, a notice will be published in a local newspaper within 45 days and not less than 10 days from the response deadline. The request shall include an adequate description of the scope of work to be completed, any specifics which may be required of the vendor, including the amount of any bid bond, all contractual terms material to the request and response, and conditions applicable to the public project. Bids/responses shall be opened publicly at the time and place designated in the invitation for bids, RFP, or RFQ. The amount of each bid and/or such other relevant information as may be specified by rules, together with the name of each bidder/responder, shall be entered on a record and open to public inspection.

After the time of the award, all bids, RFP, and RFQ documents shall be open to public inspection, except for those parts designated as confidential and proprietary in accordance with the Colorado Public (Open) Records Act. The District shall not be obligated to select the lowest bidder/responder, but shall select based on the established criteria in the invitation to bid, RFP, or RFQ, or other criteria in the best interests of the District as determined by the District, in its sole discretion. The District may choose not to select any bid/response and to terminate or reopen the bidding or request process. Bidders/responders may be disqualified for past failure to follow proper change order processes. The District will use electronic means (i.e. internet, email, *etc.*) to inform potential vendors and may use technology to improve transparency and purchasing efficiencies for the District.

104.10 Surplus Property

"Surplus property" is defined as emergency services tools, equipment, furniture, information technology, vehicles, apparatus or other forms of personal property that, whether due to the age, condition, obsolete technology, changed operations or otherwise, no longer further the District's emergency services or otherwise promote the efficient and effective conduct of the District's operations. On its own initiative, or when requested by Chief Staff, the Board may, by motion or resolution, declare personal property to be surplus and authorize the Chief to dispose of the surplus property by auction, sale under sealed bid, internet auction, negotiated sale, trade-in, donation or scrap. Scrap property has no value other than the value of the material itself. For purposes of this section, "surplus property" does not include any property that is damaged or destroyed and cannot be repaired or for which the cost of repair is disproportionate to the cost of the personal property itself or replacement personal property, or which is no longer useable for its intended emergency services purpose.

104.11 Travel

Consideration of cost to the District will be made when traveling for District business. When employees travel outside the immediate area they may use a District vehicle, if one is available. In lieu of driving a

District vehicle, an employee may request mileage reimbursement per current IRS standards. Reimbursement will be made at the discretion of the Fire Chief.

Employees may request per diem, at approved IRS rates, or use their District issued credit card for travel related expenses. Airfare and lodging should be paid by District credit card. As much as practical, no expenses should be made with employee personal funds. Any per diem or other reimbursement is subject to the District's Accountable Plan policy set forth in 104.14.

Meals in District - The District shall restrict the purchase of meals locally to the following items, unless specifically approved by the Fire Chief or Board:

- Work related meetings or meals on-scene with Fire Chief approval.
- Preparation for District-wide events on weekends (such as July 4th or Evans Fest).
- Fire Chief and/or District Board members' meetings with media, citizens, employees, Board, and outside officials.

104.12 Education and training

The District will fund adequate participation in professional organizations and training, as funding permits and as the Fire Chief and Board determine to be in the best interests of the District and personnel. The level of training and participation in organizations must be approved by the Fire Chief. Personnel training will be approved by the Fire Chief, and Fire Chief training will be approved by the Board. All training must be included and funded in the annual budget.

104.13 Education and training for Board

The District is committed to professional and progressive leadership. In order to maintain the District's position as leaders in the community and region, it may be beneficial to provide training for the District Board regarding key management and or technical issues. Board member training expenses will be included in the annual budget.

104.14 Accountable Plan Policy

All expense reimbursements and allowances of the District must comply with the IRS "accountable plan" requirements. The following three criteria must be satisfied in connection with all expense reimbursements and allowances, whether made as an advance, after-expense reimbursement, *per diem*, allowance, or otherwise:

- There must be a connection between the expenditure and District business;
- The employee must adequately account to the District for the expenditure within a reasonable period of time. Receipts are required unless the reimbursement is made on a *per diem* basis; and
- Excess reimbursements, *per diems*, advances, or allowances must be returned to the District within a reasonable period of time.

The District uses the "periodic statement method" for meeting the IRS requirements of timely substantiation and return of excess reimbursements, allowances, *per diems*, and advances. Under this method, in each quarter of a calendar year the District will issue a notice requiring employees to return all excess reimbursements, allowances, *per diems*, and advances within 120 calendar days of the issuance of the notice. Employees must comply with the quarterly notices issued by the District.

105 Cash Disbursements (Check-Writing) Policies

105.1 Policy

The District's policy is to print checks once a month to be signed at the regularly scheduled Board meeting. Checks shall be prepared by the Business Manager. The District policy requires that each check shall be signed by either the Fire Chief or Board members.

105.2 Check Preparation

All vendor and expense reimbursement checks shall be produced in accordance with the following guidelines:

- Expenditures must be supported in conformity with the purchasing and accounts payable policies described in this policy.
- Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors.
- Generally, all vendors should be paid by the corresponding due date shown on the invoice after delivery of the requested goods or services.
- Total cash requirement associated with each check run is monitored by the Business Manager in conjunction with available cash balance in the bank prior to the release of any checks.
- All supporting documentation is attached to the corresponding check prior to forwarding the entire package to the authorized check signers.
- Checks shall be utilized in numerical order (unused checks are stored in a locked safe in the Business Manager's office).
- Checks will never be made payable to "bearer" or "cash".
- Checks will never be signed prior to being prepared.
- Upon the presentation of a check, vendor invoices and other supporting documentation will immediately be canceled to prevent subsequent reuse, by marking each invoice with a "Paid" stamp and check number and date handwritten on the invoice.

105.3 Check Disbursement

As noted in 104.6, all checks less than \$5,000 require the signatures of either the Fire Chief or a Board member. Checks greater than \$5,000 will require the signature of either the Fire Chief and one Board member or of two Board members. No checks will be signed prior to the check being completed in its entirety (no signing of blank checks).

Check signers should examine all original supporting documentation to ensure that each item has been properly reviewed prior to signing a check. Checks should not be signed, if there are any questions about the disbursement. Checks are mailed as soon as practicable after signing.

105.4 Voided Checks, Stop Payments, and Outdated Checks

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as "VOID". The signature box of each "VOIDED" check must be removed from the check form. All voided checks shall be retained to aid in preparation of bank reconciliation.

Stop payment orders are made for checks lost in the mail or other valid reasons. Stop payments are communicated to the bank by the Business Manager.

Outdated checks are checks that are not negotiated by a vendor or individual within six full months. Checks that remain on the outstanding check list for a minimum of six full months with no activity are cancelled. It is the vendor or individual's responsibility to seek replacement for any check cancelled as outdated.

106 Capital Planning & Budget Policies

106.1 Introduction

The Capital Improvement Plan ("CIP") has a significant impact on the image of the District. The following policies are designed to ensure that current and future projects are maintained at a quality level and that capital projects do not restrict the District's ability to provide basic services. The District must preserve its current physical assets and plan in an orderly manner for future capital investments, including the operating costs associated with these projects. In addition to amenity improvements, the District must make the capital investment needed to support and enhance the delivery of basic services. For budgeting purposes, capital expenditures include buildings, land, major equipment, and other items that have a value of over \$100,000 and have a life greater than one year. For accounting purposes (in accordance with GAAP), capital expenditures include buildings, land, major equipment, and other items that have a value of over \$5,000 and have a life greater than one year.

106.2 Policies

The planning, funding and maintenance of all capital projects shall be based on the following policies:

- Bond rating - The District will, to the extent practicable, maintain a strong bond rating that is consistent with other District goals.
- Five-year capital plans – The District will develop and maintain five-year capital plans, including sources of funding and maintenance.
- Citizen involvement - The Board may, in its discretion, provide for the participation of any citizen and or Committee appointed by District Board in the CIP process or any phase thereof, to the extent directed by the Board.
- Details of plan - The District will strive to prepare and update annually a District five-year CIP that identifies needs for capital replacement and additions. The CIP lists all anticipated capital expenditures, total estimated cost, the year in which it will be started, the amount expected to be expended in each year, and the proposed method of financing these expenditures. Methods of financing can include bonding, certificates of participation, lease-purchases, pay-as-you-go (e.g. taxes, current revenues, cash balances), or other.
- Current capital budget - The District will prepare an annual Capital Budget that will include current year capital expenditures and sources of funds based on the current year of the CIP.
- Include future maintenance - As part of the annual Capital Budget, the District will identify and include full costs of future maintenance needs and operating costs of new capital facilities and equipment prior to funding as part of the annual Capital Budget. It is essential to recognize that many smaller projects can have a significant impact on the existing staffing and maintenance levels when considering the total impact.
- Identify project funding - Staff will identify the estimated costs and funding sources for each capital project proposal before it is submitted to Board for consideration, including initial construction and ongoing maintenance.
- AMP - The District will strive to develop an AMP that protects capital investment and minimizes future maintenance and replacement costs. The District will maintain accurate information on the

condition, life span use and replacement cost of their capital assets to assist in long term planning. The AMP also will indicate future major repairs and their costs, utility costs and other operating costs.

- Equipment replacement - The District will estimate its equipment replacement (items valued up to \$25,000 with a life greater than one year). From this projection, a maintenance schedule will be developed and followed to the extent practicable.
 - Cash for equipment - Equipment replacement should be planned on a cash basis to the extent practicable. Equipment should be replaced on a useful life basis considering optimum trade-in value and maintenance costs.
- Planned funding - To the extent practicable, the budget will provide sufficient funding for adequate maintenance and scheduled replacement and enhancement of capital equipment. Whenever the AMP identifies there is a significant discrepancy between the need to maintain/modernize District infrastructure or facilities and the funds available for such improvements, staff will prepare and present to Board a strategy for meeting such needs. The LRPs will include all costs identified in the AMP.
- Major Maintenance - Although the annual operating budget should provide for adequate maintenance of capital equipment, eventually a major expenditure will be required. It is appropriate to consider these types of major expenditures when developing the CIP.
- Capital priority - In general, the following guidelines will be used to identify capital priorities: safety, complete existing projects, maintenance of existing capital facilities, extensions of existing systems and new projects. Maintenance should be given priority over acquisition of new facilities unless a cost/benefit analysis indicates to the contrary. State, Federal, and local mandates or new service demands may require acquisition of new facilities or new construction even when maintenance needs are not fully met. Unique opportunities may arise which should be considered as a priority particularly if there is community support for acquisition. Maintenance of facilities should take priority over operating Programs, if practicable, if deferring maintenance will result in greater costs to restore or replace neglected facilities.
- Consistency with District policies and impact on community - The District will identify the ongoing costs and benefits that may be associated with each capital project to determine its consistency with other District policies and the impact on the community as a whole.
- Long-term debt – Long term debt is a liability that places a future contractual or other obligation against future revenues of the District. For example, long-term debt includes liabilities arising from bonds, certificates of participation, lease purchase agreements and installment purchase contracts.
 - Use for capital – The District will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues.
 - Debt restrictions – The District will not use long term debt for current or annual operations.
 - Annual review – The District will conduct an annual review of its debt taking into consideration current market rates and future cash flows.

107 Credit Cards

107.1 Policy

It is the policy of the District to issue a corporate credit card to all full-time employees for the purposes of obtaining supplies and services as necessary to perform daily duties or maintain a designated program.

107.2 Issuance of Credit Cards

Cardholders are required to sign a statement acknowledging that the card shall be used exclusively for legitimate District-related business purposes, that the cardholder agrees to take reasonable precautions to protect the card from loss or theft by storing it in a secure location, and any other cardholder requirements established by the Board. Upon approval from the credit card company, a card will be issued bearing the names of both the individual and the District.

107.3 Cardholder Responsibilities

Following the close of each month the Business Manager will review all purchases made and reconcile charges with receipts. When purchases are made with a credit card a detailed receipt should be submitted to the Business Manager. Receipts may be submitted as paper or electronically, via email. Each purchase must be described in detail and receipts marked with the appropriate account line the charges will be allocated to. Packing slips may not be substituted for actual receipts.

Any fraudulent or other unauthorized charges should be immediately reported to the credit card company and the Accounts Payable Administrator.

Cardholders should report the loss or theft of a corporate credit card immediately by notifying the credit card company, as well as the Business Manager.

107.4 Revocation of Credit Cards

Employees that fail to comply with any of the policies related to the District's credit cards or fail to demonstrate sound program budget management shall be subject to revocation of credit card privilege and may be subject to other discipline. The Fire Chief determines whether credit cards should be revoked and whether other discipline is appropriate.

108 Payroll and Related Policies

108.1 Classification of Workers as Independent Contractors or Employees

It is the policy of the District to consider all relevant facts and circumstances, federal and state law, regulations, and guidance, and relevant court determinations, regarding the relationship between the District and the individual in making determinations about the classification of workers as independent contractors or employees.

If an individual qualifies for independent contractor status, the individual will be sent a Form 1099 if total compensation paid to that individual for any calendar year, on the cash basis, is \$600 or more. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on the cash basis). Excluded from "compensation" are reimbursements of business expenses that have been accounted for by the contractor by supplying receipts and business explanations.

If an individual qualifies as an employee, a general personnel file and a confidential file will be created for that individual and all documentation required by the District personnel policies shall be obtained and maintained in accordance with District policies and federal and state law. Employee Form I-9s also will be maintained. The policies described in the remainder of this section shall apply to all workers classified as employees.

108.2 Payroll Administration

The District operates on a bi-weekly payroll for all District employees and monthly for Board stipends. For all District employees, a general personnel file is established, maintained, and secured in the Business Manager's office that includes payroll data, such as Form W-4, *Employee Federal Withholding*

Certificate, approved salaries, annual evaluations, and payroll account distribution. The employee's general personnel file shall also indicate whether the employee is exempt or non-exempt under the provisions of the Fair Labor Standards Act.

108.3 Changes in Payroll Data

New hires, terminations, and changes in salaries or pay rates for individual employees shall be authorized and approved by the Fire Chief, provided that the Board shall approve the salary ranges for each position and the total amount of all salaries shall be approved as part of the annual budget.

Voluntary payroll deductions and changes in income tax withholding status shall be authorized in writing by the individual employee.

Documentation of all changes in payroll data will be maintained in each employee's general personnel file.

108.4 Payroll Taxes

The Business Manager is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid, including state and federal taxes. Federal Income taxes, Medicare contributions, and Social Security contributions are remitted electronically bi-weekly. State of Colorado taxes are remitted electronically bi-weekly. The State of Colorado Unemployment Insurance Report and subsequent payment is remitted quarterly.

108.5 Payroll Processing

Processing of timesheets is performed by the Business Manager,. Daily rosters are used to determine hours worked for input into the payroll system. All employees are responsible for confirming their time worked is accurately reflected on daily rosters at the close of each pay period.

If errors are noted on rosters or following the issuance of paychecks the affected employee will work with the Business Manager and responsible Captain to make necessary corrections.

Tampering with, altering, or falsifying rosters, or willfully violating any other timesheet policy or procedure may result in disciplinary action.

108.6 Distribution of Payroll

Payments to employees for wages or salary earned are all made directly to their bank account (direct deposit). Employees will not receive a paper Direct Deposit ACH Check Statement/Stub, rather this information can be found in the online payroll system. Paper payroll checks are authorized by the Fire Chief only on a case-by-case basis.

109 Cash and Cash Management

109.1 Establishment of Accounts

All requests for new accounts are presented to the Board of Directors by the Fire Chief. The presentation must include the purpose and justification for the account. Once the request has been reviewed and approved by the Board of Directors, the Fire Chief, with assistance from the Business Manager, establishes and maintains all District bank accounts.

109.2 Authorized Signers

Per 104.6 above, all checks require the signatures by the Fire Chief or Board members. When the individual holding a position as an authorized signer changes, the Business Manager will promptly notify the District's financial institutions of the change and coordinate the submittal of new signature cards.

109.3 Bank Reconciliations

When the Business Manager receives bank statements from the District's financial institutions each statement will be reviewed for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. Unusual and unexplained items shall be reported to the Board Treasurer immediately or, if there is concern that the unusual or unexplained item may have originated with the Board Treasurer or if the Board Treasurer is unavailable, to the Board President.

The Business Manager is assigned to reconciling bank accounts and does not have check signing authority.

All bank reconciliations are reviewed and approved by the Fire Chief monthly. Any adjusting journal entries resulting from preparing bank reconciliations are approved by the Fire Chief.

109.4 Cash Flow

Cash transfers between accounts are performed on an as-needed basis.

109.5 Wire Transfers

The Fire Chief and Business Manager are authorized to transact wire transfers from District bank accounts. All Wire Transfers require Dual Custody Verification.

109.6 Definitions

General Fund: revenues received by the District; comprised of property tax, Specific Ownership tax, payment for inter-governmental agreements, grants, fee, and miscellaneous revenue.

Unappropriated Funds: funds not designated for a defined purpose. These funds are available to the Board of Directors to be appropriated in the annual budget cycle for necessary operating expenditures.

Impact Fees: all funds received from the Fire Impact Fee assessed on all new construction projects in the District. These fees are statutorily required to be used on capital expenditures.

110 Investments

110.1 Policy

All District investments shall comply with state law. The District's investment policy is to preserve and protect the District's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments.

The District generally limits its concentration of investments to local government investment pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

110.2 Short Term Investments

Short-term investments generally have a maturity of three months to one year from the purchase date. The District may have investments classified as short-term with maturities beyond one-year due to their highly liquid nature. All short-term investments are recorded at market value using the specific identification method; unrealized gains and losses are reflected in net unrealized gain or loss on securities.

110.3 Long Term Investments

Long-term investments have a maturity beyond one-year from the purchase date, except as noted above. Long-term investments are subject to market and credit risks customarily associated with debt, equity, and real estate.

111 Accrued Liabilities

111.1 Policy

The Business Manager shall establish a list of commonly incurred expenses that may need to be accrued at the end of an accounting period. Expenses that shall be accrued by the District at the end of an accounting period include:

- Salaries and wages
- Payroll taxes
- Vacation pay and other paid leave benefits
- Interest on bonds payable

The District records a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described in the Revenue section of this manual.

111.2 Accrued Leave

- I. Vacation Pay - Personnel policies of the District permit employees to carry forward unused leave into the next fiscal year. Any accrued but unused vacation leave is payable to an employee upon termination of employment. Accordingly, the District records a liability for accrued leave to which employees are entitled. The total liability at the end of the fiscal year shall equal the total accrued but unused hours of leave, multiplied by each employee's current hourly pay rate. See Evans Fire Protection District Member Handbook for specific criteria and maintenance of Vacation Leave.
- II. Health Leave – Health leave that is not used at the end of each fiscal year is accrued as a liability of the District. See Evans Fire Protection District Member Handbook for specific criteria and maintenance of Health Leave. Health Leave is not paid out upon termination of employment.
- III. Military Leave – District employees who are also serving in the military will be granted 15 workdays of paid time off for military obligations annually, beginning each year on January 1st. "Workday" shall mean 8 hours for administrative employees and 24 hours for line-employees. If provided pursuant to a separate written agreement with the employee, the amount of the employee's pay will be offset by the amount of military pay he/she receives for the same days for which paid leave was provided. Military leave that is not used at the end of each fiscal year is not rolled over to the following year and shall not be accrued as a liability of the District.

112 Notes/Bonds Payable

112.1 Policy

It is the policy of the District to maintain a schedule of all notes and bonds payable, mortgage obligations, lines of credit, and other financing agreements. This schedule shall be based on the underlying loan documents and shall include all the following information:

- Name and address of lender
- Date of agreement or renewal/extension
- Total amount of debt or available credit
- Amounts and dates borrowed
- Description of collateral, if any
- Interest rate
- Repayment terms/schedule
- Maturity date
- Address to which payments should be sent
- Contact person at lender

112.2 Accounting and Classification

An amortization schedule shall be maintained for each note and bond payable. Based upon the amortization schedule, the principal portion of payments due within the next year shall be classified as a current liability in the statement of financial position of the District. The principal portion of payments due beyond one year shall be classified as long-term/non-current liabilities in the statement of financial position.

Demand notes and any other notes without established repayment dates shall always be classified as current liabilities.

Unpaid interest expense shall be accrued as a liability quarterly and at fiscal year-end.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

112.3 Bonds Payable

The District may issue bonds with voter authorization for the purposes of financing the construction of facilities and/or the acquisition of capital apparatus and equipment for public purposes. The District amortizes bond issuance costs, such as underwriting costs, over the life of the bonds. The effective interest method is used. The District adheres to all bond covenants and requirements of the bond documents.

113 Financial Statements

113.1 Policy

The District's policy is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner.

The standard set of financial statements described below will be produced on a monthly and annual basis. These financial statements shall be prepared using the accrual method of accounting.

113.2 Standard Financial Statements of the District

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the organization. Financial statements may reflect year-to-year historical comparisons or current budget to actual comparisons.

The preparation of financial statements in conformity with generally accepted accounting principles generally requires the District to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The basic financial statements of the District that are maintained on an organization-wide basis are:

Statement of Financial Position – reflects assets, liabilities and net assets of the organization and classifies assets and liabilities as current or non-current/long-term.

- Assets are probable future economic benefits obtained or controlled by the organization as a result of past transactions or events. Assets of the District are classified as current assets, fixed assets, contra-assets, and other assets.
- Current assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, and receivables that will be collected within one year of the statement of financial position date.
- Fixed assets (property and equipment) are tangible assets with a useful life of more than one year that are acquired for use in the operation of the District and are not held for resale.
- Contra-assets are accounts that reduce asset accounts, such as accumulated depreciation and reserves for uncollectible accounts receivable.
- Other assets include long-term assets that are assets acquired without the intention of disposing them in the near future. Some examples are security deposits, property, and long-term investments.
- Liabilities are probable future sacrifices of economic benefits arising from present obligations of the District to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities of the District are classified as current or long-term.
- Current liabilities are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples are accounts payable, accrued liabilities, short-term notes payable, and deferred revenue.
- Long-term liabilities are probable sacrifices of economic benefits that will likely occur more than one year from the date of the financial statements. An example is the non-current portion of a mortgage loan.
- Net assets are the difference between total assets and total liabilities.

Statement of Activities – presents revenues, gains, and other support, expenses, and changes in net assets of the District, by category of net assets (unrestricted, temporarily restricted and permanently restricted), including reclassifications between categories of net assets.

- Revenues are inflows of the District or other enhancements of assets from rendering services, or other activities that constitute the District's ongoing major or central operations. Examples include fees, grants, investment income, and auxiliary operations.
- Expenses are outflows or other using up of assets or incurrence of liabilities from rendering services, delivering, or producing goods, or carrying out other activities that constitutes the District's ongoing major or central operations. Expenses are classified by functions, such as, program expense, management, and general expense.

Statement of Cash Flows – reports the cash inflows and outflows of the District in three categories: operating activities, investing activities, and financing activities.

113.3 Review and Distribution of Financial Statements

Monthly and annual financial statements and supporting schedules shall be reviewed and approved by the Fire Chief, and then a complete set of financial statements shall be distributed to the Board of Directors for review at its regular meetings.

113.4 Financial Statement Close Process

The following procedures apply to the Financial Statement Close Process.

- All Bank accounts are reconciled through year-end.
- All Invoices are entered for goods and services received by year-end.
- All Purchase Orders have been closed by year-end.
- All Journal Entries are entered.
- Preliminary financial statements are run and reviewed by the Fire Chief and Business Manager for completeness and accuracy.
- Any needed adjustments are made.
- Final financial statements are run, and the audit work papers prepared.
- The General Ledger is closed, and no transactions can be posted to the prior fiscal year.

114 Budgeting

114.1 Overview

Budgeting is an integral part of managing the District and is concerned with meeting organizational goals and objectives. The budget is designed and prepared to direct the efficient and prudent use of the District's financial and human resources. The budget is management's commitment to a plan for present and future organizational activities to ensure a going concern. It provides an opportunity to examine the composition and viability of the District's programs and activities simultaneously considering available resources. Chief Staff is responsible for preparing, managing, and reporting on the District's annual budget, in compliance with Title 29, Article 1, C.R.S. and direction of the Board.

114.2 General Budget Policies

The annual budget will be administered based on the following policies:

- Fiscal Year - The fiscal year of the District is the calendar year, January 1st through December 31st. Unless the Board appoints another individual, the Fire Chief shall serve as the Budget Officer in accordance with the Local Budget Law, and shall prepare and submit to the District Board on or before the fifteenth of October of each year a recommended budget for the next fiscal year.
- Present a balanced budget to the Board - The District will pay for all current expenditures with current revenues and, if necessary, fund balance. The District shall avoid budgetary procedures that balance current expenditures at the expense of meeting future years' expenses, such as postponing maintenance and other expenditures if avoiding such postponement is practicable, accruing future years' revenues, or rolling over short term debt. The exceptions to this policy would be planned equipment purchases, operating maintenance and capital projects based on accumulated funding over the years.
- Increase efficiency in all District operations - The District staff will identify programs to increase efficiency in order to provide for "long- term cost savings" to the District. This may include the use of technology, revised organizational structures or other tools which may be identified. Eliminating outdated practices is encouraged.
- Promote investment in the future - The District staff, wherever possible will take a long-term view of investments (people and resources) and emphasize "quality" operations that encourage productivity for today and the future.
- Share resources/services - The District staff will explore ways to share staff, training resources and equipment/supplies with the City of Evans and other local governments to utilize resources more effectively.
- Identify funding for new services or service levels - Proposals to add new services or increase existing services will be presented to the Board with revenue alternatives to fund or subsidize the new service levels. This includes initial costs and ongoing operations.
- AMP and Capital Equipment and Facilities - The annual budgets will provide adequate maintenance of capital equipment with plans for their orderly replacement, to the extent practicable.
- Employee Programs - The District recognizes that employees are the most valuable asset of the organization and seeks to fund this resource appropriately, including adequate funding for all retirement systems, benefit packages and employee incentive programs, including training.
- Fund Reserves - Cash reserve policies directly relate to fund accounting. Fund accounting is used as a control device to segregate financial resources and ensure that the segregated resources are used for their intended purposes. Cash reserves provide stability for operations and can cushion the impact to District programs during times of economic downturns. Reserves targets are established based on the type of Fund.
 - Operating funds will accumulate and maintain 3 months of operating reserves based on estimated personnel, supplies and services and AMP expenditures. Operating reserves allow for the efficient management of cash flow and the opportunity to expand services or fund one-time opportunities during the year. Operating reserves include the 3% emergency reserves required by TABOR.
 - Reserves for capital funds are established based on the budgeting methodology. Capital fund budgets are based on the estimated current year ending cash balance for the next year. Subsequently the reserves are funded by the revenues restricted to capital funds. Capital projects may include a contingency for unexpected expenditures.

- Debt service fund reserves are based on required debt reserves established when debt is issued.
- Fund reserves - The first priority of the District will be to maintain target reserves by individual funds based on the above target. The District Board may identify specific reserves on an individual basis. When a cash reserve deficit exists the District Board will identify the specific fund to offset the deficit, to the extent practicable, and a plan to increase the reserve in the fund.
- TABOR and 5.5% Statutory Limit on Revenue - During the District's November 1, 2011 organizational election, the voters exempted the District from TABOR's revenue and spending limitations and the 5.5% statutory revenue limitations. The District will comply with the other aspects of TABOR that could not be, and were not, exempted by the voters, such as the 3% emergency reserves required by TABOR.

114.3 Preparation and Adoption

It is the policy of the District to prepare a budget annually. The Fire Chief assigns responsibility for budget line items to Program Managers and then gathers proposed budget information from all the staff members and prepares the first draft of the budget. The Business Manager provides historical data from the prior calendar year and current fiscal year from the general ledger. The proposed budget worksheets submitted by each staff member shall include a narrative explanation of the sources and uses of funds and explaining all material fluctuations in budgeted amounts from prior years.

After appropriate revisions and a compilation of all the submitted budget worksheets, a draft of the District-wide budget is compiled by the Fire Chief and presented to the Board of Directors for discussion, revision, and comment. The final draft is then submitted to the Board of Directors for adoption following a duly published and posted public hearing, in accordance with the Local Budget Law.

The Board is presented the draft budget for the following fiscal year by the statutory October 15 deadline of the current year. After necessary revisions, the final budget is presented to the Board and the public budget hearing held, in order to adopt the final budget prior to the statutory deadline of December 15.

- Revenue policies –The annual budget process is based on the initial and final assessed value projections provided by the Weld County Assessor.
- Expenditure policies – Expenditure budget preparation begins with existing staff compensation including any appropriate adjustments in accordance with the adopted personnel compensation system. Salary ranges and benefit packages should be periodically reviewed with comparable communities based on population, general fund tax revenues and cost of living.

Supplies and services should be constantly reviewed for efficiency and effectiveness, eliminating outdated programs and identifying appropriate citizen service levels. The operating budget should include the Asset Management Plan (AMP) to provide for the most effective delivery of services.

- Level of approval - The Board will approve:
 - The number of full-time and part-time, positions, and the dollar amount for total regular staff, temporary staff, and overtime by fund and category as defined by the LRPs.
 - Salary and wage ranges for paid staff.
 - The dollar amount for supplies and services and AMP for each fund and category as defined by the LRPs.
 - Each specific capital request over \$25,000, including startup cost and ongoing maintenance.

EFPD Financial Policies

- The total of expenditures from each fund including transfers in and out.

Debt is funded per required schedules, including reserves.

Capital is budgeted based on priorities, available funding and estimated fund balances.

- Public Hearing & citizen participation - The budget process will provide an opportunity for public review and comment on the proposed budget. Chief Staff and the Board shall ensure that the statutory public hearing is noticed and conducted in accordance with the Local Budget Law.
- State and other requirements - The District will adopt the budget in accordance with the Local Budget Law and Board policy and will certify the mill levy to Weld County on or before December 15 of each year.

114.4 Monitoring Performance

It is the policy of the District to monitor its financial performance by comparing and analyzing actual results with budgeted amounts. This function shall be accomplished in conjunction with the monthly financial reporting process. On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the Business Manager, reviewed by the Fire Chief, and distributed to the Board of Directors.

114.5 Budget Modification/Amendment

The Fire Chief may submit requests to amend the approved budget during the year. Additional requests will be made only after the staff has determined that no savings exists that can be transferred. The Fire Chief will provide information to the District Board. Staff may not expend funds until after the District Board has approved the additional expenditure. As necessary, Chief Staff will prepare Supplemental Budgets officially amending the Budget. Board approval of any Supplemental Budgets is subject to the same notice and public hearing requirements as approval of the initial annual Budget.


- Line Item Transfers within a Fund - The Fire Chief may approve transfers of monies from one line item to another line item within operations supplies and services budgets and asset management plans within a fund. Any such transfers will be reported to the Board at the next reporting period.
- Supplemental Budgets - Supplemental Budgets are required in the event that the District receives or makes revenues, appropriations, and/or expenditures that were unanticipated at the time the annual budget was approved, and that will increase the total amount of any fund's revenues, appropriations, and/or expenditures. The Fire Chief on his/her initiative, or upon the request of staff, may prepare one or more proposed Supplemental Budgets for Board consideration, and if appropriate, approval.

114.6 Annual Audit

It is the policy of the District to arrange for a financial and compliance audit of the District's financial statements to be conducted by an independent accounting firm annually, as required by the Colorado Local Government Audit Law. Their opinions may be contained in the District's Comprehensive Annual Financial Report (CAFR), and the Report on Compliance with the Single Audit Act of 1984 (if required based on federal funding levels).

CERTIFICATION

I hereby certify that the foregoing pages 1 through 22, inclusive, constitute a complete and accurate copy of the Financial Policies of the Evans Fire Protection District adopted by the Board of Directors on January 25, 2021.


Martin Schanwoff, Secretary Date