FREDERICK-FIRESTONE

FIRE PROTECTION DISTRICT

FINANCIAL

POLICIES AND PROCEDURES

With Revisions Effective: July 2022

101 Financial Operations

101.1 Overview

This manual has been prepared to document the internal accounting procedures for the Frederick-Firestone Fire Protection District (the "District"). Its purpose is to ensure 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 financial policy and procedural manual serves as our commitment to proper, accurate financial management and reporting.

The Finance Director, together with the assistance of the Fire Chief and 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 Finance Director, 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.

Monthly reports are also produced for internal use by Executive and Command Staff 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 amended budgets for these accounts.

101.2 Responsibilities of Financial Section

The primary responsibilities of Financial Section 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

101.3 Division of Duties

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

Fire Chief:

1. Reviews and approves financial reports in the absence of the Finance Director.
2. Reviews and approves annual budget.
3. Reviews and approves all grant applications.
4. Reviews the bi-weekly payroll summary.
5. Reviews all vouchers and invoices for those checks which require their signature.
6. Reviews and approves contracts for goods and services that exceed $5,000.
7. Reviews and approves list of pending check disbursements.
8. Authorizes all cash transfers between District accounts.
9. Authorizes the surplus and disposal of assets and equipment.
10. Check signing authority with one other Board member.

Finance Director:

1. Processes payroll in the absence of the HR Manager
2. With the Fire Chief, develops and maintains the annual budget.
3. Approves all vouchers, invoices, paper checks, and electronic billing.
4. Reviews General Ledger of all accounts.
5. Submits requests to the Fire Chief for cash transfers.
6. Receives bank statements and reviews.
7. Approves all reimbursements.
8. Maintains and reconciles the general ledger monthly or as needed.
9. Prepares financial reports as required.
10. Reconciles the bank accounts.
11. Manages the assets accounts.
12. Responsible for all financial documents for the Board and Auditor as required.

Accounting Specialist

1. Develop and implement accounting systems, control systems, and reporting procedures.
2. Manage the administration and daily operations of the District's accounts receivables to include billing, deposits, collections, and reporting.
3. Manage the administration and the daily operations of the District's accounts payables, including requisitions, purchase orders, ACH payments, electronic payments, and paper check disbursements.
4. Prepare journal entries, maintain supporting documentation, post transactions, and reconcile the general ledger and subsidiary ledgers.
5. Prepares all financial documents for the Finance Director as needed or required.
6. Reconciles all bank statements and cash flow as directed.
7. Prepare financial statements, balance sheets, and reports for all District funds.

8. Prepares annual budget worksheets for draft budgets and program work.
9. Establish and maintain accounting files following the District's retention schedule.
10. Perform financial analysis as needed.
11. Assist the Finance Director in developing the annual budget, projecting property tax revenues, salary, benefit costs, and operating expenditures.
12. Perform as a backup for payroll processing in the absence of the Human Resource Manager in the following areas: bi-weekly payroll, mandated reporting, payroll taxes, benefit deductions, and workers compensation.
13. Assist outside auditors with annual audits, provide accurate information, and maintain a sound financial management and reconciliation system.
14. Assist the Finance Director or Executive Staff with grant writing, awarding, and allocation.
15. Responsible for the accurate reporting and reimbursement of the District's wildland, special operations, and task force deployments.

HR Manager:

1. Manage the administration and daily operations of the human resources division.
2. Manage the administration and processing of the District's bi-weekly payroll.
3. Fund employees FPPA Pension on a bi-weekly basis. Serve as the first point of contact for all pension and 457 questions. Enroll new hires, process changes, and terminations through the FPPA portal. Manage our D&D plan with FPPA relating to employees on leave.
4. Process and pay all payroll tax liabilities and monthly benefit liabilities through payroll transmittals or paper checks.
5. Manage the District's benefit programs' administration, including enrolling all new hires, qualified changes, and terminations into the appropriate software.
   Work closely with our benefits brokers to ensure compliance. Reconcile all benefit statements to ensure accuracy. Coordinate open enrollment and manage employee status changes.
6. Assist The Fire Chief and executive team with policy and program development.
7. Manage all employee leaves to include workers' compensation, short-term disability, and parental leave.
8. Supervise appropriate personnel.
9. Perform general clerical work, including but not limited to; establishing and maintaining well-organized files and records relating to District matters, legal documents, and similar materials in accordance with the law and policies and procedures established by the District in the areas of Human Resources and Payroll.
10. Assist the Finance Director with audits as needed or required.
11. Assist Fire Chief and Finance Director with data compilation for the annual proposed budget in the areas of human resources.
12. Complete annual employee W-2 forms, District W-3 forms, and vendor 1099 forms.

Administrative Assistant:
1. Answer all incoming District phone calls in a friendly and professional manner.
2. Receive all visitors in a friendly and professional manner.
3. Responsible for the disbursement of all incoming and outgoing mail.
4. Perform administrative tasks, including data entry, filing, report preparation, and record keeping.
5. Coordinate requisitions and purchase orders in the absence of the Accounting Specialist.
6. Responsible for the data entry as needed or required.
7. Responsible for all filing of District documents as needed or required.
8. Responsible for the District's retention schedule of all paper files.
9. Manages office supplies and orders accordingly.
10. Respond to various individuals and organizations requesting factual information regarding the Fire District, or involve matters of established policies, procedures, or standard practice.
11. Compose correspondence for Administrative Staff as needed or required.
12. Safely, competently, and efficiently operate all office equipment.
13. Provide responses to a wide variety of communications that request factual information regarding the District or involve matters of established policies, procedures, or standard practice.
14. Maintain the administrative offices clean, neat, and professional for all staff and visitors.
15. Maintain meeting room calendars and assist with coordinating meeting spaces as needed or required.
16. Budget for and purchase the District's office supplies, postage, and mailing supplies.

Assistant Chiefs and Battalion Chiefs:
1. Develops first draft of divisional budgets and project management budgets.
2. Accountability to approved divisional budgets in purchasing decisions and in approving invoices with the proper vendor and account codes.
3. Responsible for management of Fire Inspection Program and other Billable Fees.

Board Members:
1. Check signing authority on all District accounts.
2. Reviews all vouchers and invoices for those checks which require a signature.
3. Provides signature(s) on each paper check.
4. Reviews and approves all payroll records at monthly Board meetings.
5. Approves and adopts the annual budget and related resolutions, appropriates funds, and certifies the annual mill levy provided by the Fire Chief.
6. Review bank account reconciliations at monthly Board meetings.

102 Financial Management – Budgeting

102.1 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 in light of available resources.

102.2 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 administrative staff, chiefs, officers, supervisory and line staff. The Finance Director gathers proposed budget information from all the staff members and prepares the first draft of the budget. The Finance Director 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 Finance Director and the Fire Chief. The draft budget is then presented to the Board of Directors for discussion, revision, and initial approval. The final draft is then submitted to the Board of Directors for adoption.

It is the policy of the District to begin the budget process in July, if not earlier for the following fiscal year. Staff reporting on budget line items is due to the Finance Director in late August. The Board is presented the draft budget for the following fiscal year by the statutory October 15 deadline of the current year. A special meeting is held with the Board of Directors in October. After necessary revisions, the final budget is presented to the Board and a public budget hearing held, in order to adopt the final budget prior to December 15. The purpose of adopting a final budget at this time is to allow adequate time for the input of the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

102.3 Monitoring Performance

It is the policy of the District to monitor its financial performance by comparing and analyzing actual results with budgeted results. 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 Finance Director, reviewed by the Fire Chief, and distributed to chief officers, and supervisory staff with budgetary responsibilities, and to the Board of Directors at their monthly meeting.

102.4 Budget Modification/Amendment

After the budget has been approved by the Board of Directors and adopted by the District, reclassification of budgeted expense amounts within a single fund may be made by the Fire Chief. Any increases to approved appropriations per fund will require approval by the Board of Directors and a public budget hearing.

103 General Ledger and Chart of Accounts

103.1 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 uses Caselle Financial & Accounting software (Caselle) to record financial & accounting transactions, which provides for separate, self-balancing sets of accounts in accordance with generally accepted accounting principles and procedures for governments. The accounting system was purchased from and is maintained by~~.~~

103.2 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 department and object codes for general ledger activity.

103.3 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.

103.4 Control of Chart of Accounts

The District's chart of accounts is monitored and controlled by the Finance Director. 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 and meets the needs of each division.

103.5 Fiscal Year

The District's fiscal year is a calendar year as required by the State, which begins January 1 and ends December 31.

103.6 Journal Entries

Manual journal entries that do not originate from a subsidiary ledger (system generated) shall be supported by documentation, which shall include a reasonable explanation of each such entry. Examples of such journal entries include:

1. Recording of non-cash transactions
2. Corrections of posting errors
3. Non-recurring accruals of income and expenses
4. 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:

1. Depreciation of fixed assets
2. Amortization of prepaid expenses
3. Accruals of recurring revenues and expenses
4. Amortization of deferred revenue
5. Payroll accrual adjustments at fiscal year end
6. Accrued Compensated Absences at fiscal year end

Support for recurring journal entries shall be in the form of a schedule or other explanatory item associated with the underlying asset, liability, equity, revenue, or expenditure account In the case of short-term recurring journal entries or immaterial items, in the form of the actual ~~a~~ journal voucher itself.

It is the policy of the District that manual journal entries (not system generated) shall be made available to the Fire Chief upon request for review.

104 Annual Audit

Project Management Guide: Annual Audit

104.1 Policy

It is the policy of the District to arrange for an annual audit of the District's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by the District will be required to communicate directly with the Board of Directors upon the completion of their audit. In addition, members of the Board are authorized to initiate communication directly with the independent accounting firm.

104.2 Timing on Reviewing the Selection of the Auditor

The District will review the selection of its independent auditor in the following circumstances:

1. Anytime there is dissatisfaction with the service of the current firm.
2. When a fresh perspective and new ideas are desired.
3. Every five (5) years to ensure competitive pricing and a high quality of service. It is not a requirement to change auditors every five (5) years, simply to re-evaluate the selection or lead auditor.

104.3 Selecting an Auditor

The selection of an accounting firm to conduct the annual audit is a task that should be taken seriously. The following factors will be considered by the District in selecting an accounting firm:

1. The firm's reputation in the nonprofit and governmental community.
2. The depth of the firm's understanding of and experience with governmental entities and in particular, special districts.
3. The firm's demonstrated ability to provide the services requested in a timely manner.
4. The ability of firm personnel to communicate with the District's personnel in a professional and congenial manner.

If the District decides to prepare and issue a written Request for Proposal (RFP) to be sent to prospective audit firms, the following information will be included:

1. Period of services required.
2. Type of contract to be awarded (fixed fee, cost basis, etc.).

3. Complete description of the services requested (audit, management letter, tax returns, etc.).
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings.
5. Organization chart of the District.
6. Financial information about the District.
7. Copy of prior year reports (financial statements, management letters, etc.).
8. Other information considered appropriate.
9. Description of proposal and format requirements.
10. Due date of proposals.
11. Overview of selection process.
12. Identification of criteria for selection.

Minimum Proposal Requirements from prospective CPA firms will be:

1. Firm background.
2. Biographical information (resumes) of key firm members who will serve the District.
3. Client references.
4. Information about the firm's capabilities.
5. Firm's approach to performing an audit.
6. Copy of the firm's most recent quality/peer review report, including any accompanying letter of findings.
7. Other resources available with the firm.
8. Expected timing and completion of the audit.
9. Expected delivery of reports.
10. Cost estimate including estimated number of hours per staff member.
11. Rate per hour for each auditor.
12. Other information as appropriate.

In order to narrow down the proposals to the top selections, the Fire Chief and Finance Director will meet with the prospective engagement teams from each proposing firm to discuss their proposal. Copies of all proposals will be forwarded to each member of the Board. After the Fire Chief and Finance Director narrow down the field of prospective auditors to three firms, final interviews of each firm are conducted by the Board of Directors for approval.

104.4 Preparation for the Annual Audit

The District will be actively involved in planning and assisting the District's independent accounting firm in order to ensure a smooth and timely audit of its financial statements.

Throughout the audit process, it will be the policy of the District to make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

As stated in Section 104.3 above, vendors that have not been utilized over the preceding 24-month period will be made inactive in the accounting system by the Finance Director prior to the planning of the annual audit. The Finance Director shall document the review and purge of inactive vendors from the vendor list.

The HR Manager shall facilitate and document an audit of the personnel files on an annual basis. The Personnel File Checklist is used to confirm the completion of:

- Employment History
- Application
- Job Description
- Oath of Office
- Background Investigation Form
- Insurance Enrollment Forms
- Authorized Salary Data
- Employee Performance Evaluations
- Authorized Payroll Deductions (Full Time Employees only)
- Employee Credit Card Use Agreement (if applicable)
- Employee Access and Security Agreement
- PPE Inventory Issue/Return Form
- Commitment Agreement for the Reserve Firefighter Program (if applicable)
- Military Leave Agreement (if applicable)

104.5 Objectives and Strategy of the Audit

The auditors' objectives with respect to the audit of the annual financial statements of the District include:

- Plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud.

- Professional standards also require the auditors obtain a sufficient understanding of the District's internal control to plan the audit of the financial statements.

- Communicate to management and those charged with governance significant deficiencies and material weaknesses identified during the audit.

- Assist with the preparation of the District's financial statements and related footnotes.

The audit strategy includes consideration of:

- Higher risk areas.
- Inherent risk within the District – i.e., the susceptibility of the financial statements to material error or fraud, before recognizing the effectiveness of the control systems.
- The control environment and the possibility that the control systems and procedures may fail to prevent or detect a material error or fraud.
- Information about systems and the computer environment in which financial records and related systems operate.
- Recent results of operations and significant current year events.
- Proper safeguards against misappropriation of cash.

104.6 Concluding the Audit

The draft audit report is prepared and submitted to the Fire Chief and Finance Director. Revisions and/or adjustments are considered on a case-by-case basis. The final audit report is presented to the Board of Directors at, preferably the June or as late as the July Board of Directors meeting annually. The annual audit report is accepted and approved by the Board of Directors. The final audit report is filed with the State of Colorado by the auditor no later than July 30th annually.

104.7 Continuing Disclosure Certificate

The Finance Director is responsible for completing and submitting the Electronic Municipal Market Access (EMMA) report via the EMMA online system annually each calendar year as needed or required for the District.

The Finance Director shall complete the IRS Forms required for the General Obligation Loan, Series 2022 annually. 8038-G for the District's bonds annually.

201 Revenue and Accounts Receivable

Project Management Guide: Accounting Specialist

201.1 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:

1. **Property Taxes and Specific Ownership Taxes**

   Property taxes collected for the General Fund and the Debt Service Fund and Specific Ownership taxes are received monthly from the County via a wire to the District's primary financial institution. 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.

   The District also receives Tax Increment Financing (TIF) revenue, which is calculated during the budget process and actual receipts are compared to the calculation at year-end to confirm the proper amount was received. The TIF revenue is received from the sponsoring entity via a paper check or ACH to the District's primary financial institution. The amount received is reconciled to the monthly distribution statements received from the County and entered into the General Ledger in the month received. Amounts due the District at year-end is accrued.

2. **Inspection, Administrative and other Billable Fees**

   Assistant Chiefs of Operations and Planning, the Battalion Chiefs, and the Training Officer give an invoice request form for Inspection, Administrative or other Billable Fees to the Accounts Receivable Administrator for invoice number assignment and printing of an invoice. The invoice numbers are controlled and issued in numerical order. All invoices are entered into the Accounts Receivable ledger and monitored for timely receipt of payment.

   Check, cash and credit card payments are received by the District and processed by the Accounts Receivable Administrator. Net payments are recorded as revenue as received.

3. Ambulance Fees

The Accounting Specialist is responsible for EMS Billing management and control. The Rate Structure is approved annually by the Fire Chief and Board of Directors in the budget process. When an incident occurs, a call number is assigned for tracking purposes. The incident details are entered by staff into the billing software by the end of the staff member's shift, which includes information from the Face Sheet from the hospital. The Safety and Medical Officer collects incomplete forms and research available data bases and hospital records in order to ensure proper information is provided to the billing agency. The District's billing agency has editorial rights as to services and proper coding and file timely with the patient's insurance. A Transmission Summary Report is printed daily detailing fee submittals.

Check, cash, and electronic payments are received by the District from insurance companies and patients and processed by the Accounting Specialist. Credit card payments are taken over the phone by the Accounting Specialist or made through the self-pay portal. Payments are then processed through the bank, and a report sent to the billing agency of payments received by the District, including cash and credit. Net payments are recorded as revenue as received.

The billing agency provides monthly reporting on status of fees, collection, and receivable aging. These monthly reports should be reconciled to the daily Transmission Summary Reports for accuracy and completeness. The payments received are compared to the monthly billing agency reports to ensure that they have been tracked properly through the billing agency's receivable tracking. After 90 days, uncollected accounts are turned over to a contracted private collection agency for collection.

If a patient cannot pay their fees, the preferred policy is to arrange for a monthly payment plan with the patient. The Accounts Specialist will follow District guidelines when approving patient requests for payment reductions. Patient requests for billing reductions will be evaluated on a case-by-case basis. The billing agency has been directed to follow the District guidelines when approving patient requests.

4. Grants

Grants include all amounts received or made available by grants, contracts, and cooperative agreements from government agencies and/or local businesses. Revenue from grants is generally 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.

When a new grant is received or renewed, a copy of the executed grant must be forwarded to the Finance Director. The Finance Director should set up a permanent file for the grant and maintain the contract along with any other financial correspondence regarding the grant. It is the responsibility of the Finance Director to review the grant contract and extract any fiscal items which must be complied with.

5. Interest and Dividends

Revenue is recognized monthly when interest and dividend revenue is received as evidenced by bank statements via CRJE journal entries and accrued at year-end.

6. Other

All other income not categorized above is miscellaneous income, such as the leases, dividends from mineral rights, donations, gain (loss) on Sale of Asset(s), etc. and may be accounted for separately if individually significant.

301 Authorization of Expenses

Project Management Guide: Requisitions

301.1 Overview

The District strives to maintain efficient business practices and good cost control. The authorization of expenses function assists in accomplishing this goal through acquiring accurate quotes and/or bids, completing requisitions, and purchasing goods or services with approved purchase orders.

301.2 Quotes

- The District's purchasing staff member is responsible for providing a minimum of two (2) written quotes from vendors for an expense greater than $10,000 or as specified by the Fire Chief
- The District's purchasing staff member is responsible for providing a minimum of three (3) written quotes from vendors for an expense greater than $25,000 or as specified by the Fire Chief
- If the expense is $60,000 or more, the District's purchasing staff member should follow the formal bid process as set forth by the Colorado Revised Statutes (C.R.S.) or as specified by the Fire Chief
- All quotes must be submitted with the requisition.

301.3 Requisitions

The annual budget allocates monies to the general operations of the District. A requisition is used to request permission to expend allocated monies. The approval of the requisition by the Finance Director or the Fire Chief is what initiates the completion of a purchase order; it is not authorization to purchase goods or services. Staff does not have authorization to purchase goods or services with the completion of the requisition process. Staff must wait for the requisition approval by the Finance Director or the Fire Chief; **and** the purchase order creation, confirmation and number from the Finance Director or Accounting Specialist before they can go forward with the purchase.

301.4 Purchase Orders

As stated above, a requisition is the request for permission to complete a purchase of goods or services; whereas a purchase order is the approval by the Finance Director or the Fire Chief to go forward with the purchase or request for services. The purchase order confirmation and number are the authorization to go forward with the purchase. District staff may give the vendor the District's six-digit purchase order number and ask the vendor to record the District's six-digit purchase order number on the quote, estimate, printed invoice, and/or statement. The Accounting

Specialist will be responsible for issuing all Purchase Orders and maintaining them against all District expenses.

301.5 Sole Source Purchasing

Specialty or Sole Source Items: Specialty item(s) and or Sole Source items are those items that, due to their uniqueness of use by the fire district or Fire/EMS services, only have a limited number of manufacturers or distributors available. Direct purchase shall be allowed without further competitive bidding. Goods and services that were awarded to other governmental entities through competitive bidding that meet the District's specifications may also be awarded by the District to said vendor(s) without further bidding and documented on purchase order to vendor(s).

As a Public Safety District, there are instances where, in the interest of the Public Welfare, it is necessary to purchase items of certain quality, integrity, service dependability and compatibility with existing equipment / equipment systems such that the Public Safety mandates of the District may be met and maintained.

Acceptable considerations for Specialty or Sole Source procurements include the following:

- Only one (1) known source that can provide the commodity or service.
- Unique source (commodity/service is unique/special in nature).
- Compatibility (e.g., a public safety agency requiring a specific piece of equipment to be compatible with an existing equipment or equipment system).
- Limited or proprietary systems (i.e., additional licenses, updates, specialized replacement parts, etc.).
- A professional expert is requested.
- Sales territories or product availability within limited geographic boundaries.

Designated items qualifying for Specialty or Sole Source procurement:

- Equipment related to the back-up utilities of Fire Stations. Emergency Generators and related equipment are included to maintain the mission of the District.
  Certain equipment related to the safety of the District's personnel commonly referred to as PPE (Personal Protective Equipment). Certain of such equipment is essential, upon the failure and/or lack of quality, dependability or serviceability of such equipment, District employee's lives may be lost or injuries incurred. (Examples: self-contained breathing apparatus, safety equipment, helmets, protective fire gear, footwear, and uniforms)
- Certain equipment of the type(s) mentioned above where new, or replacement equipment is needed to be procured and due to existing types of equipment currently in service in various District locations the related service contracts for that equipment and serviceability of such equipment may be impaired due to different equipment being installed within the District's daily operations.

302 Accounts Payable Management

Project Management Guide: Accounting Specialist /Finance Director

302.1 Overview

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 an employee independent of ordering and receiving. 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 Finance Director or the Fire Chief or their designee prior to being processed for payment. Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

302.2 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.

302.3 Vendor Master File

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

- Completed IRS W-9 for all vendors
- Vendor's legal name and any DBA name(s)
- Street Address
- Telephone Number
- Fax number, if applicable
- Contact name

When the preceding information is not complete, incomplete paperwork will be returned to the originator for completion. At the time a new vendor is established, District staff is responsible for designating a vendor as to type of payment (paper check, bill pay, ACH or credit) if known by the District Staff member involved.

On an annual basis, vendors that have not been utilized over the preceding 24–36-month period will be made inactive in the Accounts Payable Module by the Finance Director or by the Accounting Specialist at the direction of the Finance Director. In addition, on an ongoing basis, the Finance Director should direct the Accounting Specialist to perform the following procedures:

- Cross-check vendors for matching street or P.O. Box addresses.
- Review payment histories for signs of repeat invoice numbers or other signs of duplicate payments.
- Check for duplicate vendors

302.4 Verification of New Vendors

The District performs additional procedures on a random basis to validate the legitimacy of new vendors that will be paid one-time or when the payment exceeds $5,000. For such vendors, if deemed necessary by the Fire Chief, the Finance Director, or the Accounting Specialist at the direction of the Finance Director, will perform a limited public records search and shall contact the vendor to validate the vendor's existence.

302.5 Electronic Payment Vendors

Certain of the District's vendors will be paid by electronic methods. These electronic methods consist of the following three (3) methods: Bill Pay, ACH and Website Draw Authorization. "Bill Pay" is a generic term for numerous vendors that provide these services which are usually considered as third-party vendors by the bank(s) used by the District. The name utilized is most often "Bill Pay" but may have other names such as "I-Pay" or "E-Pay". Bill Pay is a relatively primitive electronic form of payment that is not always by electronic means. Normally this type of payment is reserved for individual bill payment and small business operations. In the case of Bill Pay, the District establishes a list of payees with the Bill Pay vendor. The Bill Pay vendor then establishes an electronic association with the District's payees on the list and facilitates payment at the direction of the District. In some cases, the District's payee may be too primitive to accept electronic payment and, in such cases, the Bill Pay vendor will process a paper check and mail it to the District's payee. ACH payment is a direct electronic payment from the District that is electronically inserted (directly) into a payee's account. To use this method of payment, the District must know the payee's routing and account number, which is obtained from the Accounting Specialist and programmed into Caselle's AP Module. In the case of ACH, a true NACHA file is generated by Caselle that is processed through the "Automated Clearing House"

(ACH) computer based electronic network for processing transactions. The third type of electronic payment is Website Draw Authorization which involves the District specifically going onto a payee's website and specifying a "draw" upon the District's checking account in a defined amount. Electronic payments have a cash transaction completed at the District's financial institution (bank). The Finance Director or Accounting Specialist is responsible for adding and/or removing a vendor and/or payee from the Bill Pay list of payees. The Bill Pay vendor's list of payees should match the designated Bill Pay payee list established by the District.

302.6 Receipt and Recording of Payment Requests

Invoices are received by the Accounting Specialist or Finance Director and date stamped with the date of receipt. The Accounting Specialist prepares the invoices for review and approval.

All accounts payable transactions must be supported by adequate documentation that explains the nature and purpose of the expense. Accounts payable transactions received by 4:30 p.m. each Tuesday are processed for payment on the next check processing, unless a future date is specified. Information is entered into the Caselle Accounts Payable (AP) module from approved invoices or disbursement vouchers with appropriate documentation attached.

When the original invoice is not available, a duplicate copy may be submitted to process the payment. The duplicate copy must be approved by the Accounting Specialist or Finance Director and verification must be made that the invoice has not been paid previously. Vendor statements shall not be used to support payments.

302.7 Processing of Invoices

The Accounting Specialist or Finance Director should perform the following steps to process invoices for payment:

- Check the mathematical accuracy of each vendor invoice.
- Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order, if applicable.
- Verify the general ledger distribution, using the District's current chart of accounts.
- Approvals on all invoices shall be documented with initials or signatures of the Finance Director or their designee.
- Due to the protected and/or confidential information contained in invoices for legal services, only the Fire Chief or Finance Director shall approve all legal service invoices with initials or signatures.

302.8 Processing Checks

302.8.1 Printed Checks

Printed checks are processed on a bi-weekly basis. All paper checks require two (2) signatures. After printing paper checks the Accounting Specialist or Finance Director performs the following steps:

- Requests a minimum of two (2) Board of Director members for signatures or presents the checks to the Directors for signature at a Board Meeting.
- At time of signing, the entire invoice/check package is reviewed in detail prior to signing. The Fire Chief can be a signatory as well if needed or required.
- The Board members act at the monthly Board meeting to ratify each check processing and the cash flow processes.

302.8.2 Electronic Payments

Electronic payments are processed weekly. After creating the claims in the accounting module for the electronic checks, the Accounting Specialist or Finance Director performs the following steps:

- Complete the entries for cash transaction at the District's designated financial institution. The entries are suspended in a pending status.
- The members Board of Directors are notified of the pending electronic checks via email. The email includes an invoice approval report. Board Members are asked to review the information; and voice any concerns with making the payment.
- Each electronic checks packet includes a snapshot of funds availability from The Treasury Banking Suite.
- The Finance Director confirms the availability of funds prior to release.
- All the source documents are given to the Finance Director or their designee. They approve the entries for the cash transaction at the District's designated financial institution.
- All the source documents are returned to the Accounting Specialist or Finance Director. They complete the electronic check creation process. All the source documents are notated with the transaction number and date paid.

302.9 Reconciliation of Accounts Payable Subsidiary Ledger to General Ledger

Posting of the Accounts Payable transactions requires a proactive process in Caselle. There are routines in Caselle that enable posting as well as verification of proper posting to the General Ledger. This is normally handled between the District's independent auditor and the Finance Director to ensure all reconciliation is complete and general ledger is compliant for the fiscal year.

303 Cash Disbursements (Check-Writing) Policies

Project Management Guide: Accounting Specialist/Finance Director

303.1 Policy

The District's policy is to print vendor checks and expense reimbursement checks on a bi-weekly basis. Checks shall be prepared by persons independent of those who initiate or approve expenditures. The District policy requires that each check shall be signed at minimum one (1) Board Member and the Fire Chief. However, it is preferred to have two (2) Board of Director Members sign whenever possible.

303.2 Check Preparation

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

1. Expenditures must be supported in conformity with the purchasing and accounts payable policies described in this manual.

2. Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors.

3. Generally, all vendors should be paid by the corresponding due date shown on the invoice after delivery of the requested goods or services.

4. Total cash requirements associated with each check processing is monitored by the AP Administrator and Finance Director in conjunction with available cash balance in the bank prior to the release of any checks.

5. All supporting documentation is attached to the corresponding check prior to forwarding the entire package to an authorized check signer.

6. Checks shall be utilized in numerical order (unused checks are stored in a locked safe in the Records Retention Room at the Administration Building.

7. Checks will never be made payable to "bearer" or "cash".

8. Checks will never be signed prior to being prepared, unless authorized by the Board of Directors.

9. Upon the presentation of a check, vendor invoices and other supporting documentation will immediately be canceled in order to prevent subsequent reuse, by marking each invoice with a "Paid" stamp and check number and date handwritten on the invoice.

303.3 Check Signing

Paper checks require the signatures of two (2) Board members. No paper checks will be signed prior to the check being completed in its entirety (no signing of blank paper 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 supporting documentation is missing or there are any questions about the disbursement.

303.4 Mailing of Checks

Checks are returned to the Accounting Specialist or Finance Director who then mails the checks immediately. Checks are not mailed by or returned to individuals who authorize expenditures.

303.5 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. A copy of the voided check(s) must be submitted to the Board of Directors at the next regularly scheduled Board meeting for approval as well. All voided checks will be secured in the Accounting Specialist or Finance Directors office until the voided checks for the prior calendar year can be inspected by the District's independent auditor at the time of the annual audit.

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

Outdated checks are checks that are not negotiated by a vendor or individual within six (6) full months. Checks that remain on the outstanding check list for a minimum of six (6) full months with no activity are cancelled using the Districts Financial Software Accounting module. It is the vendor or individual's responsibility to seek replacement for any check cancelled as credit.

304 Credit or Purchase Cards

304.1 Policy

It is the policy of the District to issue a corporate credit card to Chief Officers, Administrative and Executive Staff, and fuel cards for apparatus designated by the Fire Chief.

304.2 Credit Limit

The District's total maximum spending limit on the District issued corporate credit cards is $200,000. This amount is determined, designated, and approved by the Board of Directors. The Board must submit a credit application to the financial institution to change the total maximum spending limit.

The Fire Chief must authorize each individual corporate credit card issued to District staff member. Each individual corporate credit card issued to a District staff member has a maximum credit amount, maximum one-time purchase amount, and maximum daily transactions limit. The individual maximum credit amount, maximum one-time purchase amount, and maximum daily transactions limit can be adjusted by the Finance Director or the Fire Chief, or their designee. The Account Administrator is the Board of Directors Chairman. The Fire Chief and the Finance Director have authority to temporarily reduce and restore the individual maximum credit amount, maximum one-time purchase amount, and maximum daily transactions limit. Total credit card transactions shall not exceed $200,000 per month.

The individual maximum authorized credit limit is designated by rank/position for individuals, and by average daily usage for vehicles and apparatus. The current maximum credit limits are as follows:

304.3 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 and that the cardholder agrees to take reasonable precautions to protect the card from loss or theft by storing it in a secure location. Upon approval from the credit card company, a card will be issued bearing the names of both the individual and the District. Cards issued to the District from local retailers are also available to Chief Officers after purchase authorization is approved. The Accounting Specialist or Finance Director reconciles all purchase requests with the monthly credit card statements and brings any discrepancies to the attention of the Fire Chief for resolution.

304.4 Fuel Cards

Fuel cards are issued to apparatus and are to be used for the sole purpose of purchasing fuel for District vehicles. Under no circumstances is fuel to be purchased for non-District vehicles using the District credit cards. Under no circumstances is any other item to be purchased using the fuel cards unless specific permission is given by the Fire Chief.

304.5 Cardholder Responsibilities

Every month, the District will receive a statement of each cardholder's account detailing the current month's expenditures. The Accounting Specialist is expected to review this statement in a timely manner. Any fraudulent or other unauthorized charges should be immediately reported to the credit card company, the Fire Chief, and the Finance Director.

Cardholders should report the loss or theft of a corporate credit card immediately by notifying the Finance Director and/or Accounting Specialist.

304.6 Revocation of Credit Cards

Employees that fail to comply with any of the policies related to the District's corporate credit cards shall be subject to revocation of credit card privilege. The Fire Chief determines whether credit cards should be revoked or issued.

305.7 Payment Process

The credit cards statement is mailed to the District at the close of the billing period. The statement is typically received by the Accounting Specialist or Finance Director during the month and date stamped with the date of receipt. The Administrators prepares the statement for review and approval. Each transaction on the statement must be supported by adequate documentation that explains the nature and purpose of the expense. The Administrators

shall verify the general ledger distribution using the District's current chart of accounts. Information is entered into the accounts payable Caselle AP module from the statement. The District's vendor is designated as an electronic check and the cash transaction, called an *auto debit*, posts the exact same amount at the District's bank.

The statements and all of the source documents are given to the Finance Director or their designee. The Finance Director thoroughly reviews and approves the entries recorded on the credit card statement.

All the source documents are then given to the Accounting Specialist or Finance Director. They complete the entries in the Caselle Accounting module to create a *claim*. The claims are held on file until it is time to create the electronic payment is made.

The Board of Directors are notified of the pending claims via email. The email includes a claim approval list. Each Board member is asked to review the information; and voice any concerns with paying the claims and releasing the cash for the credit card transactions. The response is typically via email by a designated deadline but could be in person. On the first business day following the deadline date, the Finance Director confirms the availability of funds and notifies the Accounting Specialist to complete the electronic payment creation process.

The auto debit at the bank is scheduled for the 25th calendar day of the month. On the first business day of the next month, the Finance Director confirms the auto debit by the bank and notifies the Accounting Specialist when applicable. All the source documents are notated with the transaction number and date paid; and filed in the appropriate Accounts Payable files.

305 Payroll and Related Policies

Project Management Guide: Payroll Administrator – HR Manager
Project Management Guide: Benefits Administrator – HR Manager

305.1 Classification of Workers as Independent Contractors or Employees

It is the policy of the District to consider all relevant facts and circumstances regarding the relationship between the District and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between the District and the individual.

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 personnel file will be created for that individual and all documentation required by the District personnel policies shall be obtained. The policies described in the remainder of this section shall apply to all workers classified as employees.

305.2 Employee Types

Employee Types – The District maintains a variety of position classifications and types to fulfill its mission and service requirements. The following are the authorized employee types:

A. Elected
B. Full-Time Non-Exempt,
C. Full-Time Exempt,
D. Part-Time Non-Exempt
E. Temporary Contract
F. Reserve

305.3 Benefits Administration and Personnel Services

Definition of Benefits: Health, Dental, Vision Insurance; Short Term Disability Insurance; Medicare; Employee Assistance Program (EAP); Workers' Compensation; Group Term

Life Insurance; Statewide Defined Benefits Pension Plan (with or without AD & D coverage); Vacation Leave; Sick Leave; Personal Time, Military Leave, Parental Leave Bereavement Leave; and Holiday Stipends.

Definition of Employers Liabilities: Health, Dental, Vision Insurance; EAP; Workers' Compensation; Group Term Life Insurance; Long Term Disability Insurance; Short Term Disability Insurance; Statewide Defined Benefits Pension Plans; Federal Income Tax, Medicare, Social Security Tax; and State Income Tax.

Staffing Types – For the purpose of administering employer liabilities and employee benefits the District maintain a variety of staffing types for the various Divisions. The following are the staffing types:

A. Administrative Staff – All non-uniformed members not employed directly in fire suppression or emergency medical response activities. The full time Administrative Staff typically work 2,080 hours annually and are fully benefited except for the AD & D coverage. The part time Administrative Staff work an average of 1,248 to 1,560 hours annually and their benefits are: Medicare; EAP; Workers' Compensation; Group Term Life Insurance; Vacation Leave; and Sick Leave.

B. Command (Chief) Staff – All members with the rank of Battalion Chief or above. The Command Staff above the rank of Battalion Chief work 2,080 hours annually, are fully benefited, and have each of the eleven (11) District designated holidays off in lieu of Holiday Pay. The Battalion Chief rank work 2,880 hours annually; calculated at 192 hours each 28 day cycle.

C. Line (Career) Staff – All uniformed members who perform fire suppression and/or emergency medical service activities on an assigned shift. All of the Line Staff work 2,880 hours annually and are fully benefited.

D. Reserve Firefighters and Paramedics – Uniformed members who perform fire suppression and/or emergency medical service activities on an assigned shift voluntarily. Reserve Firefighters and Paramedics are committed to a minimum of 48 hours of voluntary service each calendar month. Benefits for the Reserve Firefighters and Paramedics are the Group Term Life Insurance, and the EAP program. The Reserve Firefighters and Paramedics receive a stipend, which is subsequently reported to Medicare and Workers Compensation.

E. Part Time Firefighters – Uniformed members who perform fire suppression and/or emergency medical service activities on an assigned shift. The Part Time Firefighter staff shall not work more than 1,599 hours annually. Benefits for the Part Time Firefighters are Medicare; EAP; Workers' Compensation; and Group Term Life Insurance. The Part Time Firefighters do not receive any type of leave.

F. Board of Directors of the District. Elected individuals who must live in, own property in, or own a business in the District Ward they represent. The Board of Directors receive a stipend for each board meeting attended, which is subsequently reported to Medicare and Workers' Compensation.

305.4 Payroll Administration

The District operates on a bi-weekly payroll for all District employees, monthly for Board stipends, and quarterly for Reserve Firefighter stipends. For all District employees, an official personnel file is established, maintained, and secured in the records retention room at the Business and Education Center. The personnel file includes but is not limited to payroll data, such as Form W-4, *Employee Federal Withholding Certificate*, approved salaries, annual evaluations, and payroll account distribution. The employee personnel file shall also indicate whether the employee is exempt or non-exempt under the provisions of the Fair Labor Standards Act (FLSA).

The following forms, documents and information shall be obtained and included in the payroll files of all new employees:

1. Background Check
2. Oath of Office
3. Job Description
4. Job Offer
5. I-9
6. Direct Deposit Forms
7. Current calendar year IRS W-4 form and subsequent change forms
8. Benefit Election Summary
9. Local 4123 Payroll Deduction Agreement (if applicable)
10. Safety Rule Acknowledgement Form
11. Member Handbook Acknowledgement
12. Employee Access & Security Agreement
13. Authorization for Payroll Deductions
14. Supporting documentation for payroll adjustment
15. Employee emergency contact information – maintained in Employee Navigator
16. New Hire Physical (medical file)

305.5 Changes in Payroll Data

It is the policy of the District that all of the following changes in payroll data are to be authorized in writing by the Human Resource Manager and approved by the Fire Chief:

1. New hires
2. Terminations
3. Changes in salaries and pay rates
4. Voluntary payroll deductions
5. Changes in income tax withholding status
6. Court-ordered payroll deductions

New hires, terminations, and changes in salaries or pay rates shall be authorized and approved by the Fire Chief.

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 personnel file.

305.6 Payroll Taxes

The Finance Director 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 monthly. The State of Colorado Unemployment Insurance Report and subsequent payment is remitted quarterly.

305.7 Payroll Processing

Processing of timesheets is performed by the Battalion Chief and the HR Manager through Crew Sense, who check all scheduled work times for mathematical accuracy. The HR Manager input all timesheets data into the Caselle Payroll module for processing.

The Battalion Chief and HR Manager change, or correct timesheets as needed or required when discrepancies are identified. Tampering with, altering, or falsifying time records, recording time on another employee's time record, or willfully violating any other timesheet policy or procedure may result in disciplinary action, up to and including termination of employment.

305.8 Review of Payroll

Upon production of all payroll reports and checks, the Fire Chief, or their designee reviews payroll prior to its distribution to employees. The Finance Director and Fire Chief or their designee will sign the payroll check list, indicating approval of the payroll period.

305.9 Distribution of Payroll

Payments to employees for salary earned are all transmitted electronically to their bank account(s) (direct deposit). Employees can designate transmittals to up to three (3) financial institutions for each payroll processing.

Employees will receive a Direct Deposit ACH Check Statement/Stub confirmation via email prior to each pay day scheduled for every other Friday with all the information pertinent to the direct deposit.

Paper payroll checks are authorized by the Fire Chief on a case-by-case basis if needed or required.

401 Cash and Cash Management

Project Management Guide: Accounts Receivable Administrator

401.1 Policy

The District seeks to maximize its return on surplus operating funds. To meet this objective, the District's operating account maintains only those funds sufficient to cover immediate needs. Excess surplus funds are transferred to savings accounts, for short-term investment.

401.2 Overview

Financial Operations maintains, monitors, and directs accounting functions related to cash and cash management.

401.3 Establishment of Accounts

All requests for new accounts are presented to the Board of Directors by the Fire Chief or their designee. 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 Finance Director, establishes and maintains all District bank accounts with review by the Fire Chief. The Finance Director processes the approved request as follows:

- Contacts the bank and makes the necessary arrangements to open the account.
- Obtains bank resolutions and signature cards and facilitates signatures on the appropriate forms.
- Forwards the resolutions and signature cards to the Board Members for their signatures.
- Return resolutions and signature cards to the bank.

401.4 Authorized Signers

Only current Frederick-Firestone Fire Protection District Board of Director members and the Fire Chief are authorized to sign checks drawn on the general operating accounts.

It is the policy of the District to promptly notify the District's financial institutions of changes in authorized signatures upon the departure/resignation of any authorized signer.

401.5 Bank Reconciliations

The Accounting Specialist or Finance Director, usually within seven business days following the close of each statement cycle shall review the bank statement contents 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 Fire Chief immediately.

The Finance Director or their designee is assigned to reconciling bank accounts and does not have check signing authority.

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

401.6 Cash Flow

The Finance Director monitors cash flow needs on a daily basis to eliminate idle funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis.

401.7 Wire Transfers

The Board of Directors' Chairman, the Board of Directors' Treasurer, and the Fire Chief are authorized to transact wire transfers and bank transfers between District bank accounts. The Finance Director has only limited bank transfer authority, per standard orders approved by the Board of Directors.

401.8 ACH Transaction

The Board of Directors' Chairman, the Board of Directors' Treasurer, and the Fire Chief are authorized to transact a payment via an automated clearinghouse (ACH) transfer between District bank accounts and/or designated business entities.

402 Investments

402.1 Policy

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 appropriated 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 (5) 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.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

402.2 Accounting Treatment

The District records investments in equity securities with readily determinable market values, debt securities, and assets held in trust at fair market value.

402.3 Short Term Investments

Short-term investments generally have a maturity of three (3) months to one (1) 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.

402.4 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 acquisitions.

403 Property and Equipment

403.1 Policy

It is the policy of the District to capitalize property and equipment with a unit cost of $5,000 or higher. Items with a unit cost below this threshold shall be expensed in the year purchased. The District recognizes depreciation on long-lived assets and provides proper disclosure in the financial statements. The District also classifies non-depreciable capital items as well that are capital in nature but below the $5,000 threshold.

403.2 Depreciation and Useful Life

Both real and personal property are recorded at cost and depreciated using the straight-line method of depreciation. The District uses a half-year convention in the year of acquisition and disposition. This means depreciation is calculated for a half-year only, in the year of acquisition and disposition, regardless of how long the asset is held that year. Estimated useful lives are established by class of asset and range from 5 to 50 years.

501 Accrued Liabilities

501.1 Policy

The Finance Director 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
- Severance pay
- Interest on bonds or loans payable
- Utilities and other accounts 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.

501.2 Paid Leave

Vacation Leave

Personnel policies of the District permit employees to carry forward unused leave into the next fiscal year. Any unused vacation leave is payable to an employee upon termination of employment. Accordingly, the District records a liability for paid leave to which employees are entitled.

The total liability at the end of the fiscal year shall equal the total earned but unused hours of leave, multiplied by each employee's current hourly pay rate. See Frederick-Firestone Fire Protection District Member Handbook, Section 5 – Benefits, Sub-Section B.-1., for capped amounts and updated changes. The Fire Chief shall maintain Standard Operating Guideline Section 100.11 – Attendance and Leave to specify criteria and maintenance of Vacation Leave.

Sick Leave

Sick leave that is not used at the end of each fiscal year shall not be accrued as a liability of the District. See Frederick-Firestone Fire Protection District Member Handbook Section 5 – Benefits, Sub-Section B.-2., for capped amounts. The Fire Chief shall maintain Standard Operating Guideline Section 100.11 – Attendance and Leave to specify criteria and maintenance of Sick Leave and Sick Leave Restriction(s).

Military Leave

District employees who are also serving in the military will be given 360 hours of paid time off for military obligations. These 360 hours will become effective each year on October 1st and any unused balance will not be rolled over to the following year. Military leave that is not used at the end of each fiscal year shall not be accrued as a liability of the District. The Fire Chief shall maintain Standard Operating Guideline Section 100.11 – Attendance and Leave to specify criteria and maintenance of Military Leave.

502 Notes/Bonds/Loans Payable

502.1 Policy

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

1. Name and address of lender
2. Date of agreement or renewal/extension
3. Total amount of debt or available credit
4. Amounts and dates borrowed
5. Description of collateral if any
6. Interest rate
7. Repayment terms/schedule
8. Maturity date
9. Address to which payments should be sent
10. Contact person at lender

502.2 Accounting and Classification

An amortization schedule shall be maintained for each note and bond payable. This shall be maintained by the Finance Director. 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.

502.3 Loans or Bonds Payable

The District may issue bonds or obtain loans in the definition of debt service with voter authorization for the purposes of financing the construction of facilities and the purchase of capital equipment for public purposes. The District amortizes general obligation loans or bond issuance costs, such as underwriting costs, over the life of the bonds. The effective interest method is used. The District adheres to all loan and bond covenants and requirements of the governing documents.

502.4 Continuing Disclosure and Disclosure Certificate

Continuing disclosure consists of important information about a municipal bond that arises after the initial issuance of a bond. This information generally would reflect the financial or operating condition of the issuer, the District, as it changes over time, as well as specific events occurring after issuance that can have an impact on the ability of the District to pay amount owing on the bond, the value of the bond if it is bought or sold prior to its maturity, the timing of repayment of principal, and other key features of the bond. Each bond will have its own unique set of continuing disclosures, and not all types of continuing disclosures will apply to every bond.

The Municipal Securities Rulemaking Board (MSRB)'s Electronic Municipal Market Access (EMMA) website publicly displays continuing disclosures that are provided either as required disclosures by municipal issuers and other parties known as "obligated persons" or "obligors" under contractual agreements entered into under Rule 15c2-12 of the Securities Exchange Act of 1934 (Exchange Act) or as voluntary disclosures by issuers and obligated persons without a contractual obligation to do so.

As noted above, the disclosures generally are divided between submissions made to update financial or operating information about the issuer and notices that disclose the occurrence of specific events that may have an impact on the bonds.

The Disclosure Certificate will provide clarification that so long as a Bond remains outstanding, the District will annually provide the following information to the Municipal Securities Rulemaking Board (MSRB), acting through its Electronic Municipal Market Access (EMMA) system: (i) certain financial information and operating data; and (ii) notice of certain material events. The District entered into a limited undertaking with respect to the Refunded Bonds and has never failed to materially comply with any prior undertaking entered into pursuant to the Rule. The Finance Director shall be responsible for completing and submitting the annual Disclosure Certificate via the EMMA system.

502.5 Bond and Debt Annual Review

The tax certificate and Form 8038-G shall be completed and filed for each issue of tax-exempt bonds by the District's independent auditor annually, as well as (i) on or prior to each five-year anniversary date of the issue date of the bonds; (ii) on or within 30 days of the date the bonds are retired, defeased or refunded; (iii) on or prior to the date of any rebate payment made if that date is not within 60 days of one of the dates mentioned in (i) or the date the bonds are retired, defeased or refunded; (iv) at the time of any change in use of any asset that was funded with a material amount of bond proceeds; and (v) at the time of the occurrence or non-occurrence of any other event that could affect the tax status of the Bonds as indicated in the tax certificate (e.g., the occurrence of an event which the tax certificate represents will not occur or is not expected to occur, or the non-occurrence of an event the tax certificate represents will or is expected to occur).

This review will be made for the purposes of identifying any possible violation of federal tax requirements and to ensure the timely correction of those violations with remedial action described in the regulations of the United States Department of the Treasury or through the Tax-Exempt Bonds Voluntary Closing Agreement Program. If a possible violation is identified, the District's Auditor will consult with bond counsel as to the appropriate steps to take.

In addition, it is the Frederick-Firestone Fire Protection District's policy to retain rebate consultants to assist in monitoring the compliance of its bond issues with the rebate and yield restriction requirements of Section 148 of the Internal Revenue Code in appropriate circumstances (e.g., where investments are made during a temporary period at a yield in excess of the bond yield, and if any the investments above the bond yield extend beyond the temporary period).

If any event of non-compliance is discovered by the District's Auditor, by the rebate consultants, or other the District's Auditor will consult with bond counsel as to the appropriate action to take to remedy the non-compliance, including payment of late payment interest and penalties on rebate and yield reduction payments and through use of the Tax-Exempt Bond Voluntary Closing Agreement Program.

The Frederick-Firestone Fire Protection District will retain all records relating to tax-exempt bonds and compliance with the requirements of the Internal Revenue Code until at least three (3) years after the last bond of an issue is paid and discharged.

502.6 Standard and Poor's Credit Rating

In assigning and maintaining the District's credit rating, Standard and Poor's Rating Services evaluates the most current information available. This includes, among other information, any financial and operating information that may have an impact on the District's debt platform. In order to both maintain the Standard and Poor's rating on the District's current obligations, and possibly assign future rating(s) on additional debt, Standard and Poor requires notification and all relevant documentation related to any private debt, including bank loan financing, that the District enters into, regardless of whether the private debt is being rated by Standard and Poor's. Notification and provision of documentation should occur, at the latest, promptly following closing of such private debt.

This enables Standard and Poor to assess the credit impact of such financing and to incorporate such assessments into an analysis of the District's capital platform. If the District enters into such an agreement, and Standard and Poor are not informed in a timely manner and supplied with documentation, Standard and Poor's may suspend or withdraw the District's credit rating in accordance with Standard and Poor's published procedures. The Finance Director will assist the Standard and Poor's Credit Agency with any needed documents or request with approval of the Fire Chief.

601 Financial Statements

601.1 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, quarterly, and annual basis. These financial statements shall be prepared using the modified accrual method of accounting.

601.2 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:

1. **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.

2. **Statement of Activities** – presents revenues, gains, 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.

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

601.3 Review and Distribution of Financial Statements

Monthly, quarterly, and annual financial statements and supporting schedules shall be provided by the Finance Director and reviewed/approved by the Fire Chief, and then a complete of set of monthly, quarterly, and annual financial statements shall be distributed to the Board of Directors at their monthly meeting for review and approval.

601.4 Board of Directors Meeting Reports and Financial Statements

The following procedures apply to the monthly Financial Statements presented to the Board of Directors at each regularly scheduled Board meeting.

- Upon election/appointment to the Board of Directors, each Director is issued an Electronic Tablet, pre-loaded with an email address and the Drop Box application. Board meeting information is distributed to each Board member via Drop Box.
- Staff Reports, Financial Statements, and other pertinent District documents are added to Drop Box no later than 5:00 p.m. on the Friday before the Monday Board meeting.
- Once the Drop Box has been updated for the Board of Directors members' review and the meeting's Agenda has been released no additional electronic or printed Accounts Payable checks will be created for that monthly review. Normally the cut-off date is the Wednesday before the monthly board meeting.

601.5 Financial Statement Close Process

The following procedures apply to the Financial Statement Closing 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 printed and reviewed by the Finance Director and Fire Chief for completeness and accuracy.
- Any needed adjustments are made.
- Final financial statements are printed, and the audit work-papers are prepared.
- The General Ledger is closed and no transactions are allowed to be posted to the prior fiscal year.

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701 ColoTrust Reserve and Capital Policy

701 General

The District maintains restricted, assigned, and unassigned reserve funds in order to satisfy statutory requirements as well as fund specified future capital and life cycle replacement projects needed to maintain service levels into the foreseeable future. These funds are stored with the District's ColoTrust Accounts.

702 Restricted

702.1 Operating Contingency (TABOR) Reserve

Under Colorado State law, the District is required to set aside 3% of its operating budget to be used on in declared emergencies. Emergencies exclude economic conditions, revenue shortfalls, salary, or benefit increases. In order to increase financial stability and program sustainability in economic downturns, the District may set aside an additional 25% of its operating budget into an operating contingency account. The state required TABOR reserve will also be considered within the 25% metric.

703 Assigned

703.1 Capital Equipment

This account is established to have money available to replace fire suppression and emergency medical apparatus, capital equipment, and/or staff vehicles at the end of their service life, which is from 5 to 15 years. When possible, this requires a financial contribution based on the aggregate value of each vehicle in the fleet divided by its recommended service life.

703.2 Capital Facilities and Grounds

This account is established in order to provide resources for future land purchases, facility construction, as well as renovation and repairs to existing facilities and grounds. When possible, the District contributes monies into this fund each year from savings realized from other budgeted projects and expenses.

704 Unassigned

704.1 Unassigned Reserves

This account is established in order to allow the District to have funding located within ColoTrust that may be utilized throughout the fiscal year within the overall general fund. By having an unassigned account in ColoTrust, funding not immediately needed for human resource or operating expenses can be located within a higher-yield interest bearing account until needed throughout the year.

801 Surplus and Disposal of District Asset and/or Equipment

801.1 Policy

All items with an initial purchase price equal to or greater than $3,500 shall remain the property of the District until declared a surplus item by the Board of Directors.

All electronic devices, items, and or equipment shall remain the property of the District until declared a surplus item by the Board of Directors. This includes any electronic devices containing any District data or records, all computers, tablets, radios, and communication devices.

All vehicles and apparatus shall remain the property of the District until declared a surplus item by the Board of Directors.

801.2 Procedure to Surplus an Asset and/or Equipment

District members shall identify assets and equipment that have reached or exceeded their serviceable life to surplus and or dispose. The District member shall submit the recommendation to remove the item from the District's inventory to the Fire Chief in writing. The recommendation must contain:

- The name or description of the item,
- The quantity,
- The serial number(s),
- Location of the item, and
- The reason for surplus and/or disposal.

801.3 Method of Disposal

The Fire Chief or their designee shall take the recommendation under advisement and determine the need to surplus or dispose of the item. The Finance Director shall determine whether the item was purchased through a grant or donation, and in such case, shall contact the issuing entity to advise them of the District's intent to surplus. If the Fire Chief in their discretion deems the item to be surplused, they will present an action item to the Board of Directors at the next regularly scheduled Board Meeting to surplus the item(s). Only the Board of Directors shall grant the Fire Chief permission to surplus and dispose of the item.

A motion shall be accepted and approved by the Board of Directors before any items can be surplused and disposed of as defined in Section 801.1. The motion shall designate how the item will be disposed. If the motion is approved by the Board of Directors, the Fire Chief will coordinate the release of the item(s) from the District's inventory with the assistance of the Finance Director.

The item shall be released from the District's inventory by:

- Sale,
- Recycle,
- Donation,
- Return to grant issuer or donor, or
- Appropriate disposal

Under no circumstance will a designated item be disposed of by any other method not designated by the Board of Directors.

801.4 Conditions of Disposal

Any sale of a designated item shall be advertised for sale. The conditions of the sale shall permit sufficient time to examine the items; and compile and compose an accurate bid or proposal. The condition of the sale shall permit the District reasonable time to examine the bids and award the sale to the highest bidder. All pertinent documents shall be submitted to the Finance Director for the appropriate retention period.

Donation of a designated item shall be based on an Application for Donation. The pending donation will be advertised or provided to the State of Colorado for allocation. The application may be available via the District's website. The application packets will be reviewed by the Finance Director and Fire Chief. The Board of Directors shall receive a recommendation from the Fire Chief. The Board of Directors will choose the applicant to be awarded the item. All documentation shall be submitted to the Finance Director for the appropriate retention period.

Disposal of a designated item shall be completed in an appropriate and legal manner. The disposal action(s) shall be documented. The documentation shall be submitted to the Finance Director for the appropriate retention period.

801.5 Sanitizing and Disposal of Electronic and Communication Devices

Any electronic device, computer, tablet, or communication device containing District data, memory, or hardware, such data holding component must be destroyed in the presence of the Fire Chief or their designee. The destruction of the item shall be documented. The documentation shall be submitted to the Finance Director for the appropriate retention period.

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