Frederick-Firestone Fire District

FINANCIAL MANAGEMENT POLICIES

2024

Financial Policies

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Financial Management Policies

Frederick-Firestone Fire District

Statement of Purpose

The Frederick-Firestone Fire District's (District) financial integrity is paramount. Financial policies are the critical element to maintaining this integrity. The District has evolved with various financial policies that may be found in many different sources, including the *Financial Operations & Procedures* manual, Board of Directors Resolutions, the Strategic Plan, Budget documents, Capital Improvement Programs, and other documents. The set of policies within this document serves as a central reference point for the core policies, which are critical to the continued financial health of the District.

Introduction and Objectives

The Board of Directors (Board), as the key decision-makers, plays a pivotal and empowering role in establishing the financial management policies of the District. Their actions enable the District to protect public interests and maintain public trust. The financial management policy is intended to serve as a blueprint to achieve fiscal and budgetary stability and structural sustainability. The Board of Directors sets forth the authorities, responsibilities, and accountability requirements of those participating in the operations of the District.

The District is unwaveringly committed to providing a robust financial base to sustain its mission and services and maintain social well-being and physical conditions within its boundaries. This commitment is a testament to our dedication to the community and should instill a sense of security and confidence in our stakeholders. The District will also strive to develop a financial, budgetary, and economic concept that can withstand local and regional economic shock and respond to other changes as they affect the service area.

Element I – General Policies & Financial Goals

1. **Policy:** It is the policy of the Frederick-Firestone Fire Protection District (District) that the Finance Director is responsible for the overall reporting and management of the financial aspects of the District and is accountable to the Fire Chief and the Board of Directors.

2. **Purpose:** To describe the overall responsibilities associated with District financial operations.

3. **Scope:** This policy applies to the District Board of Directors, Executive Management, and personnel responsible for overall District financial functions.

4. **Responsibilities:** The Board of Directors, as the elected officials who represent the District, holds the ultimate fiduciary responsibility for the accurate, timely, and prudent use of District financial resources. As such, they are further responsible for authorizing financial responsibility and accountability for financial operations to the Fire Chief, the Finance Director, and the Finance Section staff.

5. **Policy Statements:** The Finance Director prepares financial reports for the Board, the Fire Chief, appropriate Sections and Divisions within the District, and outside agencies. In conjunction with the District's management team, the Finance Director also prepares the District's annual financial statements, audited by an independent certified public accounting firm.

6. The Board of Directors may adopt resolutions or set financial policies to ensure the District's financial strength and accountability.

7. The Fire Chief shall develop administrative directives and general procedures for implementing the Board's financial policies.

8. All District Sections and Divisions will be responsible for meeting policy goals and ensuring long-term financial health. Future service plans and programs will be developed to reflect current policy directives, projected resources, and future service requirements.

9. To attract and retain diverse and high-performing employees necessary for providing high-quality services, the District shall establish and maintain a competitive total compensation package. The package includes direct compensation, such as salary, and indirect compensation, such as health insurance, retirement, and paid time off. The District's total compensation program is to be competitive relative to the surrounding comparable labor market.

10. The District will review these financial policies at least every three years and generate updates as needed.

Element II – Revenue Policies

1. The District will strive to maintain a revenue structure that is as diversified and stable as permitted by state law to shelter it from short-run fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

2. The Revenue estimates provided to the Board shall be conservative. The District will estimate its revenues using objective, analytical processes, past historical figures, economic and statistical prognostication, modeling, and input provided annually by County, State, and local authorities.

3. The District will refrain from utilizing one-time or limited-duration sources to balance the District's annual operating budget. It is the District's goal to refrain from relying on these types of revenues to balance the operating budget

    a. Limited or indefinite-term revenues will be used for capital projects or one-time expenditures to ensure that no ongoing service program or service level is lost when such revenues are reduced or discontinued.

4. The District will establish *fees and user charges* at a level related to the cost of providing the service and in relative proximity to fees charged by surrounding Districts and within policy parameters established by the Board of Directors.

   a The District will review fees to adjust for the effects of inflation and other factors as appropriate.
   b The District will set fees such as medical transport, impact fees, and plan review and inspection fees at a level to support the direct and indirect costs of the activity, usually via a formal nexus study or by proximity to fees charged by surrounding Districts.

5. *Grant* revenues: The District will consider pursuing grant funding as an appropriate source.
   a Before applying for or accepting any grant, the District shall thoroughly consider the implications of ongoing obligations concerning the acceptance and the overall return on investment.

   b Specifically, will District generated revenues be required to support the program(s) when grant funding is no longer available?
   All grants and other federal and state funds shall be managed to comply with the grantor's laws, regulations, requirements, and guidance.

   c Grants will be considered *one-time* revenues and will *not* be deemed current revenue for structurally balanced budget purposes.

Element III – Expenditure Policies

1. The District endeavors to associate expenditures to a fundamental level of stewardship sufficient to ensure the service area's ongoing health, safety, and welfare as defined in the Strategic Plan and other related documents.

2. The District will strive to develop a sustainable level of service to meet the District's identified results and service levels in documents such as the Strategic Plan. The District will structure service levels in the context of financial sustainability.

3. Operating expenditure must be supported by resources available within the fund (i.e., current revenues + allowable fund balances). Expenditure will not expand beyond the approved budget or amended budget.

4. The District will strive to adopt annual operating budgets in which current expenditures do not exceed current projected revenues plus allowable fund balances.

   a. The District will take immediate corrective actions if, at any time during the fiscal year, expenditure and revenue updates are such that an operating deficit is projected at year-end.
   b. Corrective actions can include a hiring freeze, expenditure reductions, fee increases, or use of reserves/contingencies.

c. The Board may approve short-term financing or use of one-time revenue sources to address temporary gaps in cash flow, although this will be avoided if possible.
d. Long-term debt or bond financing shall not be used to finance current operating expenditures.

5. The District will strive to apply one-time revenues to one-time expenditures such as capital improvements and debt reductions.

6. As a general rule, when an expenditure for both restricted and unrestricted fund balance is available, the District will consider the more restricted amounts to have been spent first.

Element IV – Budget Policies

1. The formal annual budget development process is the primary mechanism for making critical decisions regarding the levels and types of services to be provided, given the anticipated level of available resources.

2. The District's operating and capital budgets serve as policy documents, operations guides, financial plans, and communication mechanisms for internal and external stakeholders. The budget process's objective is to promote stakeholder participation and formulate informed choices regarding the provision of services and capital assets to be implemented by the District.

3. Interacting with internal and external stakeholders in developing a transparent budget planning and implementation process is a high priority. External stakeholders' input into the budget development process is solicited through public hearings. Adopted annual budgets are published, providing transparency to all stakeholders.

4. The agency's budget, short—and long-range financial planning, and capital project plans will be consistent with the District's strategic plan and support achieving the identified goals and objectives.

5. The District will prepare balanced operational, and capital annual budgets developed in accordance with the policies and priorities outlined in the Colorado Revised Statutes (CRS 2023-Title 29-1-102), the District's Strategic Plan, and Comprehensive Plan, Board of Director goals, the community's needs, federal and state laws, GAAP, and GFOA Best Practices.

6. The District staff, including the Fire Chief and the Finance Director, will meet to discuss goals and priorities before starting the budget development process. The District will adopt budgets for all funds (currently two (2) funds) on an annual calendar year basis per Colorado State statute (CRS 2023-Title-29). The District's budget is prepared on a *cash basis* (when cash is received and disbursed) as allowed per CRS 2023-29-1-102(2)(a).

7. Proposed budgets will be viewed and discussed iteratively by the Board of Directors and the public at the fund and department summary object code levels. In the absence of any legislative developments to the contrary, the final budget will be adopted by resolution of the Board of Directors at the fund level by December 31 of each year.

8. Per Colorado Revised Statutes 2023, Title 29-1-103(f)(2): "*No budget adopted under this section shall provide for expenditures over* ***available revenues*** *<u>and</u>* **beginning fund balances**." Note that bolding and underlining have been added, so this citation becomes relevant in certain Element items detailed below.

9. The objective of the annual budget, as it applies to operational aspects (operating budget), is to fund current expenditures with current revenues. This is the definition of budgetary *structural balance*. R*ecurring revenue* must equal or exceed *current recurring expenses* to achieve this condition. Note that recurring revenue includes *current recurring revenue* plus *allowable fund balance*, as discussed under the Fund Balance element later in this document (***see item 8 – Element V - Fund Balance & Reserve/Contingency Policies***).

10. *Recurring revenues* can be relied upon yearly (e.g., property and sales taxes). *Recurring expenditures* are those required for normal District operations (operating expenses – salaries, employee benefits, equipment & facility maintenance, fuel, etc.). Recurring expenditures are those necessary to maintain current/status quo service levels.

11. True structural balance is not always possible for various reasons. In such a case, using reserves/contingencies from Fund Balance to balance a budget may be unavoidable. Examples include planned purchases of capital infrastructure assets and extraordinary circumstances where the voters have approved long-term debt issuances to achieve primary District goals. Without the debt issuance, such goals would not have been achieved or delayed an unacceptable amount of time.

12. If a structural imbalance occurs, a plan will be developed and implemented to bring the budget back into structural balance. The plan will specify the replenishment of fund balance, remediation of the issue(s) causing the imbalance (decreasing recurring expenditure or increasing recurring revenue), and the period for returning to structural balance.

13. One-time revenues arise from non-operating activities – those activities that are outside the District's usual and customary revenue sources. General examples of one-time revenues would include grants, sales of assets, proceeds from long-term debt issuance, successful litigation, and insurance claims. Using one-time revenues to balance recurring expenditures in an annual operating budget should be avoided.

14. The District will avoid budgetary allocations that utilize *one-time* revenues to satisfy recurring operating expenditures. Recurring revenues should equal or exceed operating spending on proposed and adopted budgets.

15. The use of One-time revenues for the purchase of one-time expenditures is encouraged. Generally included in the classification of one-time spending are expenditures associated with grants, natural disasters, public health emergencies, the sale of significant capital assets, and early debt retirement and stabilization (covering expenditures that temporarily exceed revenues).

16. Reports on revenues and expenditures compared to the budget will be prepared monthly for the Board of Directors to review. Reports on budget status will be prepared in a timely fashion upon staff request. Internal monitoring and reviewing of expenditures compared to the budget are ongoing throughout the year.

17. Supplemental appropriations (appropriations requested after the original budget is adopted – commonly referred to as *amending the budget*) will be considered relative to the availability of additional revenues and revisions of budgeted expenditure. Formal budget amendments are needed when expenditures at the *fund level* are expected to exceed the adopted budget level for the fund in the aggregate. Expenditure changes or additions at the object level are at the Fire Chief's discretion in the absence of exceeding the fund's adopted budget or the most recently amended budget.

Element V – Fund Balance & Reserve/Contingency Policies

1. Fund balance measures the financial resources available in a governmental fund. Reserves are a cornerstone of financial flexibility, providing the District with options to respond to unexpected issues and a buffer against minor fiscal challenges. Reserve funds allow the District flexibility in financial planning for future capital projects/asset acquisitions and unforeseen operational events.

2. This section defines thresholds and descriptions for fund balances and reserves/contingencies of the District. The District intends to provide a stable financial environment that supports the quality and level of service defined by the Board of Directors, the Strategic Plan, GASB 54, and GFOA Best Practices.

3. The terms *reserves* and *fund balance* are often interchangeable but have different implications. Essentially, the fund balance is the total amount of financial resources available. It is frequently stated that this is the difference between the District's current assets and current liabilities. The critical concept is that not all current financial resources are spendable and are not liquid. Some current resources or assets are, for instance, inventories or prepaid expenditures that aren't "spendable." This resource type is not in the form of cash or cash equivalents – and constitutes the GAAP (Generally Accepted Accounting Principles) category of fund balance known as ***Nonspendable*** as defined by GASB 54. Nonspendable resources are not available to be considered a reserve or contingency but are included in the fund balance. The District currently has portions of the fund balance designated as nonspendable.

4. Some components of fund balance are in a GAAP (GASB 54) category termed ***Restricted***. Restricted resources have constraints placed upon their use by external entities such as creditors, grantors, laws or regulations imposed by other governments, or through constitutional provisions or enabling legislation of the District itself. An example of a Restricted fund balance is the 3% TABOR Reserve requirement. Local governments in Colorado must set aside reserves equivalent to 3% of their budgeted fiscal year *revenues*. Restricted resources cannot be considered a reserve or contingency because they are already allocated (restricted) for use by another government or external entity. The District currently has portions of the fund balance designated as restricted, as do most governmental entities in Colorado that must comply with the 3% TABOR Reserve requirement.

5. The ***Committed*** category of fund balance involves the District's governing body (Board of Directors) setting aside funds for a specific purpose. Any funds set aside as *committed* fund balance requires the passage of a resolution. If the governing body wishes to negate the committed status, a resolution must be passed. While the District doesn't have any portion of the fund balance designated as committed, the significant concept is that committed portions are *internally* imposed. This being the case, *committed* portions of the fund balance may be considered available in the context of budgetary structural balance in the annual operating budget and for reserves/contingencies.

6. ***Assigned*** fund balance amounts are reserves/contingencies and may be affected by the passage of a fund balance policy as is embodied in this document. The Fire Chief shall be given the authority to *assign funds* for specific purposes. Any funds set aside must be reported to the Board of Directors at the next regular board meeting and recorded in the minutes. The Board of Directors has the authority to reverse or alter the Fire Chief's assignment of funds with a simple majority vote. The District has reserves/contingencies in the assigned category, including the Colotrust accounts "Capital Facilities" and "Capital Equipment."

7. ***Unassigned*** fund balance, per GASB 54, is a residual fund balance classification consisting of the remaining amounts of the District's fund balance. This classification represents all spendable amounts not contained in the other classifications.

8. ***Item 9 of Element IV (Budget Policies)*** above notes that "recurring revenue includes *current recurring revenue* **plus *allowable fund balance."*** The *allowable fund balance* portions are in three (3) categories – *Committed, Assigned, and Unassigned*. Amounts in these three (3) categories may be added to current recurring revenues in the context of *budgetary structural balance* as applied to the annual operating budget.

9. The District will maintain a general fund ***Operating Contingency (TABOR)*** reserve. This reserve addresses the combination of the required TABOR reserve and serves as the District's emergency/operating contingencies reserve. Because this reserve includes TABOR reserves, part of this reserve will be classified as restricted fund balance, with the remaining portion being classified as assigned fund balance. Contributions to this reserve will be made from recurring revenues over recurring expenditures annually as available.

10. The District will maintain a general fund ***Capital Facilities*** and a ***Capital Equipment*** reserve. These reserves address planned as well as unforeseen capital expenditures. These reserves represent the assigned fund balance. Contributions to these reserves will be made from revenues over those recurring expenditures annually as available. Contributions to these reserves *may* include one-time revenues received by the District.

11. The District will maintain an ***Unassigned Reserves*** account representing *undesignated fund balances*. This reserve will primarily serve as a routine cash flow stabilization source. Due to the substantial property tax distributions occurring between mid-spring and mid-summer, amounts in these months must be set back for use in the other months when distributions are much lower.

12. The District maintains a special revenue fund (SRF) entitled "Impact Fees Fund." This fund was created solely to accept impact fees derived from building permits in the Towns of Frederick and Firestone imposed by commercial, industrial, and residential development. These impact fees are statutorily limited to use upon "capital facilities" [CRS-2023-29-20-104.5(1)] and only on new capital facilities needs arising from the new construction to which the impact fee is attached [CRS-2023-29-20-104.5(2)(a)]. All funds in the District's SRF are restricted by state statute as well as by local municipal governments and thus are in the restricted category.

Element VI – Accounting, Auditing & Financial Reporting Policies

1. The District will maintain its accounting records and report on its financial condition and results of operations in accordance with State and Federal law and regulations, including GAAP (Generally Accepted Accounting Principles), GASB (Governmental Accounting Standards Board), and GFOA (Government Finance Officers Association) best practices.
2. Basis of Accounting: The term "basis of accounting" refers to when revenues, expenditures, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of when these measurements are made. The following are the basis of accounting available for use by the District:
    a. ***Cash Basis*** – transactions are recognized only when cash is received or disbursed.
    b. ***Modified Accrual Basis*** – expenditure transactions are recognized when incurred. Revenues are recognized when both measurable and available. Governmental funds, including the general, special revenue, debt service, and capital projects, use the modified accrual basis of accounting. "Available," in this case, means collectible in the current period or soon enough after to be used to pay liabilities

of the current period. That timeframe shall be not more than sixty (60) days.

c. ***Accrual Basis***—Transactions are recognized when an economic event occurs, regardless of whether cash is paid or received. Proprietary funds, which include enterprise funds, use the accrual basis of accounting. Note that the District does *not* have proprietary funds but *uses the accrual basis of reporting for the entity-wide financial statements* presented in the audit and ACFR.

3. The District's annual budget and routine daily transactional data are recorded throughout the year on a *cash basis*, commonly referred to as "*budget or budgetary* basis." The District's monthly statements of revenues and expenditures reported to the Board and internally are also on a cash or budgetary basis.

4. The requirements for conformity with the Colorado Revised Statues (CRS) as they relate to budget over expenditures and other items are measured on the cash basis of accounting. This basis is necessary to determine compliance with CRS budgetary constraint standards.

5. At the end of the fiscal year, adjustments are made to the accounting records, often referred to as *accrual entries*. These entries convert the cash basis financial information in the records to the *Modified Accrual* basis of accounting (GAAP basis). GAAP and GASB deem this necessary to make the District's financials comparable to other local governments. Most other local government units must report *governmental* funds on a *modified accrual* basis (GAAP basis) in the *fund financial statements* presented in their audits and or ACFRs.

6. With the inception of GASB 34 in 2004 for most local governments, a *dual reporting* standard was imposed. GASB 34 requires that most local governments report governmental funds in two (2) ways for their audit and ACFR financials. GASB 34 required that ***both*** the historical ***fund financial statements*** (modified accrual basis) be presented and that statements on a full accrual basis be presented in the newly concocted government-wide ***financial statements*** (accrual basis).

7. The District's budget and the recording of the District's revenues and expenditures are posted throughout the year on a *cash basis*. At year-end, this accounting information is converted to the *modified accrual basis* for the *fund financial statements* presented in the audit and ACFR. This modified accrual basis information is then converted and aggregated to the *accrual basis*, presented as the *government's broad financial statements* in the audited financial statements and ACFR.

8. Independent Audit. An independent firm of certified public accountants will annually perform a financial and compliance audit of the District's financial statements as required by state statute. Their opinions may be contained in the District's annual audit, the Annual Comprehensive Financial Report (ACFR), and the Report on Compliance with the Single Audit Act of 1984 (if required based on federal funding levels.)

9. Accounting Internal Controls. The District will maintain an internal control structure that consists of three elements.
    a. Control Environment - Consisting of an "overall attitude and awareness of actions" as they influence the District. The management and staff shall consider the financial implications of current and long-term decisions.
    b. Accounting System - An effective accounting system will result in:
        i. Identification and recording of all valid transactions.
        ii. Describe the transaction in sufficient detail to permit proper classification of the transaction for reporting purposes.
        iii. Record the transaction in the correct time period.
        iv. Proper presentation of all transactions and related disclosures in the financial statements.
    c. Control procedures - Consist of:
        i. Proper authorization of transactions and activities.
        ii. Adequate segregation of duties
        iii. Adequate documents and records.
        iv. Adequate safeguards regarding access and use of assets and records.
        v. Independent checks on performance.

10. Monthly Financial Reporting. The Finance Section will prepare reports at the end of each month identifying the difference between actual and budget for revenues and expenditures by fund. These reports will be presented to the Fire Chief and included in Board updates at each monthly Board meeting.

11. Excellence in Financial Reporting. Beginning in 2025 and annually after that, the District will seek to obtain the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting as an additional independent confirmation of the quality of its financial reporting. The ACFR will be presented in a way that is designed to communicate with stakeholders about the district's financial affairs.

Element VII – Capital

1. The District is accountable for considerable investment in buildings, apparatus, equipment, staff vehicles, and other capital investments. The District's primary responsibility is to preserve, maintain, and improve these assets. Planning and implementing sound capital improvement policies and programs assists the District in avoiding emergencies and significant repair costs in the future.

2. The District shall develop and maintain at least a five-year plan for capital improvements and update it at least biennially.

3. The Capital Improvement Plan and the District's operating budget will be reviewed concurrently in the budget process to ensure that capital and operating needs are balanced and support the overall District goals.

4. The District will identify the estimated costs and proposed funding sources for each capital asset/project before submitting it to the Board for approval. Suppose a grant or other type of intergovernmental assistance is identified as a funding source, and this external funding is not secured. In that case, the District will reconsider the financial viability of the acquisition at that time.

5. Each capital asset/project included in the capital improvement plan (CIP) shall have a budgeted object code class and the source of funding identified.

6. Completed capital asset acquisitions/projects shall be capitalized in accordance with Generally Accepted Accounting Principles. Any excess asset/project budget appropriation shall lapse with the excess budget appropriation returned to the original source.

7. The capitalization threshold used in determining if a given asset qualifies for capitalization is $5,000 per item with a useful life of at least one (1) year. All capital assets shall have a district property tag affixed or another identifying label as may be appropriate when placed into service.

Element VIII – Capital Improvement Plan Policies

1. Capital Expenditures. Capital expenditures for purposes of financial reporting include buildings, land, major equipment, infrastructure investment, and other items valued at $5,000 or greater and have a life expectancy greater than one year. Such assets will be *capitalized* for auditing government-wide *financial statements*. Capitalization refers to recognizing expenditure for an asset as depreciation expense annually over the asset's expected life. Such assets are listed on the District's depreciation schedule.

2. Capital assets with a per-unit cost of less than $5,000 will be expensed in the year of purchase and are not placed on the depreciation schedule.

3. Relationship of the Strategic Plan to the CIP. Virtually all of the projects included in the CIP are based upon the community-driven strategic planning process implemented in the Strategic Plan, which the District's Board has adopted.

4. Ten-Twelve-year Capital Infrastructure Plan (CIP). The District will develop a 10 to 12-year plan for capital infrastructure (infrastructure assets/improvements). The CIP will include specific specified equipment that can represent a significant investment.

5. Types of Projects Included in the CIP Plan. The CIP Plan will display, to the maximum extent possible, the major capital projects in which the District is involved. While the following criteria may be used as a general guide to distinguish which projects should be included or excluded from the CIP, there are often exceptions that require management's judgment. For purposes of the CIP, a project is generally defined to be any project that possesses any of the following characteristics:

   a. *Capital infrastructure assets* are fire stations, administrative/training, mechanical repair and maintenance facilities, and apparatus from the ambulances and Type 6 engine levels and above.

- Involves new physical construction, remodel, or reconstruction designed to gradually and systematically replace an existing system on a piecemeal basis, replacement of a significant component of an existing facility or computer system, expansion of an existing system, introduction of a new system, or acquisition of land or structures.

b. Equipment may include personnel protective equipment such as self-contained breathing apparatus (SCBA) replacement, emergency medical equipment (heart monitors and AEDs), fire suppression equipment, certain types of rescue equipment (extrication equipment—lifting and stabilizing, cutting and spreading), and radio equipment.

6. Current Capital Budget. The District will prepare an annual Capital Budget, which includes current-year capital expenditures where estimated costs and proposed funding sources for each capital project are identified. The CIP will be reviewed in concert with the development of the current capital and operating budgets. The annual *operating budget* will provide for adequate operational & maintenance functions from *current revenues*.

7. Include Maintenance. Before including the proposed capital facility (s) and equipment in the annual capital budget, the District will identify and consider the future maintenance and operating costs. T he maintenance and operating costs associated with capital projects should be evaluated regarding staffing, supplies, and services (e.g., utilities).

8. Existing Capital Infrastructure versus New Facilities. The District's policy ensures adequate resources are allocated to preserve its existing infrastructure before directing resources to build new facilities with operating and maintenance obligations.

9. Capital Priority. The following guidelines will be used to identify capital priorities: safety, completion of existing projects, maintenance of existing capital facilities, extension/remodel/expansion of existing systems, and new projects.

10. Maintenance should be given priority over new facilities unless a cost/benefit analysis indicates otherwise. State, Federal, and local mandates or new service demands may require the acquisition of new facilities or new construction even when maintenance needs are not fully met.

11. Unique opportunities may arise that need to be considered a priority, mainly if there is community support for acquisition. Facility maintenance should take priority over operating programs if deferring maintenance will result in more significant costs to restore or replace neglected facilities.

12. Use of Debt in the CIP. The CIP is viewed as a long-term program that will continually address capital requirements far into the future. As such, the use of long-term debt may be necessary. Where the voters have approved long-term debt issuances, it is expected that the term of the debt incurred will not exceed 75% of the life of the project or acquisition.

13. CIP Plan Update and Amendment. The CIP Plan will be updated at least annually as a part of the District's budget process. The Board of Directors may amend the CIP Plan at any time if a decision

and action must be taken before the next CIP review period.

Element IX – Investment Policy

1. The ultimate responsibility and authority for investment transactions resides with the Finance Director, who, working in concert with the Fire Chief, is fully authorized to buy, sell, and trade investments following the goals and objectives of this investment policy. No person may engage in an investment transaction except as authorized under the terms of this policy.

2. The District shall seek to optimize its return on investments within the constraints of safety and liquidity. The primary objective of this investment policy shall be to manage the portfolio in such a manner as to preserve capital and protect the investment principal while attaining a market rate of return equal to or greater than the average rate of return.

3. The Finance Section shall establish a system of internal controls to ensure the integrity of the investment process. Investment transactions shall be supported by written evidence, such as a confirmation ticket issued by the bank, LGIP, or broker/dealer. In addition, the District's independent auditor shall review the controls annually. The controls shall be designed to prevent loss of public funds because of fraud, error, and misrepresentation by another party or imprudent actions by an employee or employees of the District.

4. Per CRS 32-9-163, special districts in Colorado are allowed to invest in numerous assets, including, but not necessarily limited to, Obligations of the United States government or its agencies and instrumentalities, CDs, banker's acceptances, collateralized prime commercial paper, repurchase agreements, money market mutual funds, and local government investment pools.

5. To qualify as a depository, financial institutions and savings and loan associations must collateralize the District's deposits in accordance with Sections 11-10.5-101 through 11-10.5-121, C.R.S. as amended entitled "Public Deposit Protection Act"; Sections 11-47-101 through 11-47- 120 C.R.S. as amended entitled "Savings and Loan Association Public Deposit Protection Act."

Element X – Debt Policies

1. Long-term debt financing will be considered if the District can repay the debt without causing financial distress. It is the District's objective to:
    a. Only obtain debt financing when necessary
    b. Identify the timing and amount of debt required as precisely as possible
    c. Achieve the most favorable interest rates and other financing costs
    d. Ensure that future financial flexibility is maintained
2. The District shall integrate its debt issuance with its budgeting and Capital Improvement Program planning (CIP) spending to ensure that planned financing conforms to policy targets regarding the

level and composition of outstanding debt. This planning considers the long-term horizon, paying particular attention to financing priorities, capital outlays, and competing projects.

3. Long-term borrowing shall be confined to acquiring and constructing capital projects/improvements and not be used to fund operating or maintenance costs. For all capital projects under consideration, the District shall endeavor to set aside sufficient revenue from ongoing revenues to fund capital maintenance needs and to provide reserves for periodic replacement and renewal. The issuance of long-term debt to fund operating deficits is not permitted.

4. General obligation debt is subject to voter approval. No general obligation debt can be created unless it has been approved by a majority of the registered voters within the District's boundaries in an election for that purpose. General obligation debt shall be structured on a level basis (approximately equal annual payments) with a maximum maturity of 30 years, but terms may vary as the conditions warrant.

5. Limitation upon incurring debt for a special district in Colorado is outlined in CRS 32-11-534, "*The aggregate amount of indebtedness of the district…, shall not at any time exceed three percent of the valuation for assessment of the taxable property within the district as shown by the last preceding assessment for the purposes of taxation…*"

6. Regarding cash flow shortages due to Weld County's timing of property tax distributions, the District may use short-term debt as permitted by State law. Such short-term debt would be constrained to less than one (1) year.

7. Cash outflows should be incorporated into the cash-based annual budget for the long term, and any short-term debt should be required. Adequate funding shall be budgeted for the payment of long-term debt, any short-term debt, and any other long-term liabilities as may occur in each annual budget.

Element XI – Grant Policies

1. Grant Funds received by the District support essential programs and services the District provides to the community, including fire department infrastructure assets and public safety.

2. The Fire Chief has the authority to apply or direct the application for grants under $100,000. Grants over that amount are at the discretion of the Board of Directors, who approve grant *applications* by notation in the meeting minutes. Acceptance of grant awards above $100,000 is by Board resolution. The Fire Chief is responsible for approving all grant applications, not requiring Board approval, and executing or directing the execution of grant contracts and agreements approved by the Board.

3. The District shall remain in compliance with any granting agency requirements. The District shall prepare accurate and timely reports as required by the grantor. All income from a grant-funded

project or program shall be managed and maintained as established in the award letter, grant agreement, contract, or other document the granting authority generates.