

South Metro Fire Department Financial Policies



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Financial Management Polices:

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1. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICY

Responsibilities.

<i>Position</i>	<i>Responsibilities</i>
<i>Fire Chief</i>	<ul style="list-style-type: none"> - Reviewing and initialing all Department expenditures for approval and obtaining signatures for payment. - Creating and delivering a proposed budget (operating and capital) to the Board each year. - Bringing quarterly, or more frequent if requested, payroll and accounts payable forward to the Board for approval. - Monitoring adopted budgets. - Providing quarterly, or more frequently if requested, budget reports to the Board. - Interfacing with auditors during annual audit. - Presenting audited financial statements to the Board and the city councils of West St. Paul and South St. Paul no later than June 30 each year. - Signatory on bank accounts
<i>Assistant Fire Chief</i>	<ul style="list-style-type: none"> - Reviewing expenditures in Chief's absence. - Handling annual renewal of insurance policies. - Coordinating Workers Compensation claims processing, monitoring and review, general oversight and OSHA record keeping and reporting.
<i>Fire Marshal</i>	<ul style="list-style-type: none"> - Reviewing expenditures in Assistant Chief's absence.
<i>Secretary (FT)</i>	<ul style="list-style-type: none"> - Depositing all cash and checks to Department's designated depository. - Coordinating FMLA and HIPAA activities with West St. Paul Human Resources. - Assisting Assistant Chief with Workers Compensation issues, as needed. - Reviewing timesheets for consistency and forwarding timesheets to West St. Paul Payroll Clerk. - Processing all payments and issuing receipts for operating and petty cash funds.

	<ul style="list-style-type: none"> - Receiving all Department invoices. - Processing invoices and prepare them for payment. - Coordinating and issuing all W-9 and 1099 forms. - Preparing list of claims for Board approval. - Coordinating the tracking of fixed assets.
<i>Shift Captains</i>	<ul style="list-style-type: none"> - Approving all timesheets for station employees, ensuring compliance with CBA, matching with station logbooks and forwarding to Department Secretary.

Audit. An audited financial report, including financial statements, a management letter or written findings, shall be completed annually. This audit will be completed by a certified public accountant and will conform to the state auditor’s prescribed minimum audit procedures. In accordance with state law, this report will be filed with the state auditor’s office and presented at a scheduled meeting of the Board prior to June 1st of the year in which the report is submitted to the state auditor. The audit will be forwarded to the West St. Paul and South St. Paul city councils prior to June 30th each year. The Chief shall be the primary contact for the auditors during the audit process. Members of the Board may meet with the Auditor upon their request.

Chart of Accounts. The Department shall use the Minnesota state auditor’s recommended Chart of Accounts.

Claims. The Department Secretary will receive and process all Department claims. All payments must be supported by an approved claim. Claims shall be prepared for every check issued. A list of claims shall be prepared by the Secretary and forwarded to the Chief for Board approval. After a claim has been approved a check should be prepared and the date and check number entered on the claim and coded for posting to the Department’s financial system.

Deposits. All cash and checks shall be deposited into the Department’s designated depository on a daily basis. More frequent deposits may be made if necessary.

Financial Reports. The Department Secretary shall prepare monthly, or more frequent if requested, budget reports for the Chief. The Chief shall present these budget reports to the Board at each Board meeting or as requested by the Board. The Chief shall present written budget reports on a quarterly basis to the City Councils or more often, if so requested.

Official Depository. The official depository of the Department shall be designated by Resolution. Any deposits which exceed the \$100,000 FDIC guaranteed amount must be protected with additional collateral.

Payment Approval. All Department payments shall be signed by the President and Treasurer. In the President's absence, the Vice President may sign. Payments will be made after the Board has approved the list of claims, except as authorized as follows. In the absence of a Board meeting for a claim that is due, the Chief may request authorization to issue payment from the Treasurer. If the Board does not formally approve the claim at the next Board meeting, the transaction must be rescinded.

The Chief has the authority to authorize the purchase of any budgeted expenditure up to \$25,000. Any purchase over this amount requires Board approval.

Receipts. The Department Secretary shall prepare all receipts; the Fire Marshal shall prepare receipts in the Secretary's absence. Receipt forms will be in duplicate. One copy will be provided to the person making the payment and another shall be retained for Department records. A separate receipt shall be issued for all payments, including amounts received by mail. Any receipts for deposits made to the Department's depository shall be kept on file in the Department.

Reconciliation. The West St. Paul accounts payable clerk shall reconcile any cash (operating and petty cash) funds on a daily basis and bank statements on a monthly basis. Ambulance billing reconciliation shall be done on a monthly basis.

2. OPERATING BUDGET POLICY

Objective. The objective of the operating budget policy is to ensure adequate levels of essential Department services at reasonable costs.

Balanced Budget. The operating budget for the Department shall be balanced. This means ongoing costs are not to exceed ongoing revenues plus available fund balances used in accordance with reserve policies.

Budget Process. The annual budget process is intended to weigh all competing requests for City resources within expected fiscal constraints. Requests for new programs made outside the annual budget process are discouraged. If an emergency budget amendment is requested, the Chief shall provide an explanation of the reasons behind the amendment and supporting documentation to the Board and the City Councils of West St. Paul and South St. Paul. An “emergency” is an unforeseen obligation or other cost required by the public convenience and necessity. No payment for sums outside of the approved budget shall be authorized without the approval of the Board and both City Councils.

Personnel Expenses. Additional personnel shall be requested only after service needs have been thoroughly documented or after it is substantiated that the new employee/s will result in increased revenue or enhanced operating efficiencies.

Basis of Budgeting. The fiscal year of the Department is a calendar year. The basis of budgeting and accounting are the same. The budget is created on a cash basis.

Budgetary Controls. Budgetary amendments, upward or downward, must be approved by the Board. Appropriations lapse at year-end. The Chief has the authority to move or adjust budget appropriations as needed within, but not across, the following areas: Personnel Services, Operating Costs, Contractual Services, and Other Charges, so long as the adjustments do not increase the overall budget without proper approval by the Board and the City Councils of both cities. If adjustments are made within these categories the Chief shall obtain Board approval at the next Board meeting. Adjustment to appropriations across these areas is not permitted without prior Board approval. The Chief may seek informal approval from the Board via electronic mail, however formal approval must be given at the next Board meeting. If formal approval is not given at the next Board meeting, the Chief must return the budget appropriations to their prior amounts and locations.

Budget Calendar. The Chief will deliver the Department’s proposed budget for the following fiscal year to the Board no later than June 1st of each year. The Board approved budget shall be forwarded to the City Councils of West St. Paul and South St. Paul by July 15 of each year, in accordance with the Joint Powers Agreement.

3. REVENUE POLICY

Objective. The objective of the revenue policy is to ensure that funding is derived from a fair, equitable and adequate resource base.

Revenue Structure and Sources. The Department will attempt to develop and maintain a stable and diverse revenue system to shelter programs and services from short-term fluctuations in any single revenue source.

Dedicated Revenues. Except where required by law or generally accepted accounting principles (GAAP), no revenues shall be dedicated for specified purposes. All non-restricted revenues shall be deposited in the Department's general account and appropriated through the annual budget process.

User Fees. The Department shall establish user charges and fees at a level that reflects the service costs. Components of the user charges shall include operating and capital costs, as well as the direct and indirect costs of providing the service. Full cost charges shall be imposed unless it is determined that policy, legal or market factors require lower fees.

Use of One-Time Revenues. The Department shall strive to use one-time revenues for non-recurring expenses.

Payments from West St. Paul and South St. Paul. Upon submission of the Board approved operating and capital budgets to the West St. Paul and South St. Paul City Councils, the Department shall provide an estimated cash flow schedule. The payments for services from the cities of West St. Paul and South St. Paul shall occur on a quarterly basis, pursuant to the Services Agreement. In September of each year the Department shall reconcile all payments from the two cities and provide a fourth quarter payment amount which shall be that year's operating budget minus the 1st, 2nd and 3rd quarter payments, as well as any other authorized payment made during the year. The Department shall communicate this amount to the respective Finance Directors for 4th quarter payment.

4. RESERVE POLICY

Scope: The South Metro Fire Board (Board) establishes a fund balance policy for the General Fund

Purpose: Generally, fund balance is needed for adequate cash flow throughout the operation year and helps respond to unexpected expenditures or unexpected revenue reductions. The purpose for the General Fund Balance Policy is to provide guidance regarding the appropriate level and use of fund balance in the General Fund.

Policy:

The Board shall retain a level of fund balance in the General Fund to address cash flow needs and unexpected and/or unanticipated expenditures: .

1. At the end of each fiscal year, the Board shall retain \$60,000 of undesignated fund balance for unexpected and/or unanticipated expenditures for the upcoming budget year. Use of the undesignated fund balance shall be board approved by resolution and is considered a budget amendment.
2. General Fund Balance in excess of \$60,000 shall be reimbursed to the two Cities at 50% each based upon estimates at January 31 in the year following the budget year. Reconciliation adjustments will be processed in with the July payment by the Cities following receipt of audit results by the Board.

Additional Information

The Service Agreement between the South Metro Fire Department (SMFD) and the Cities outlines the Cities' reimbursement process for unexpected or unbudgeted claims against SMFD. This process is intended to help make SMFD whole for these types of expenditures.

5. CAPITAL POLICY

Objective. The objective of the Department's capital policy is to plan for, schedule and finance the Department's capital purchases in the most cost-efficient manner and to assist the cities of West St. Paul and South St. Paul in their financial planning efforts.

Capital Budget. Capital purchases greater than \$1,000 shall be included in the Department's capital budget. Minor capital outlays of less than \$1,000 shall be included in the Department's operating budget.

Capital Asset Plan. The Department shall create a rolling twenty-five year capital asset plan; this plan shall be updated annually and included in the Department's budget proposal. This asset plan shall list all anticipated capital purchases over \$1,000 on a rolling twenty-five (25) year basis. The purchases outlined in the first year (Year 1) of the plan will be approved as part of the Department's annual budget process. Any deviations from Year 1 of the capital plan must be approved by the Board and West St. Paul and South St. Paul City Councils prior to purchase.

Capital Reserve Fund. The Department's goal is to establish a Capital Reserve Fund, which shall be funded annually with equal appropriations from each of the member cities.

A capital improvements plan (CIP) shall be shall be created; this plan will establish the Capital Reserve Fund appropriations needed on a rolling five-year basis. The goal of the financial plan is to prevent drastic increases and/or decreases in the annual contributions from each of the member cities.

Formal Auditing of Capital Asset

For the purposes of formal auditing, South Metro Fire Department shall track and keep formal auditing records for assets valued at \$2,500 and greater.

Capital Funding. Until a capital reserve fund can be established, the annual capital budget of the Department shall be funded fifty (50) percent by West St. Paul and fifty (50) percent by South St. Paul.

5. A . Capital Replacement Fund

Scope: The South Metro Fire Board (Board) establishes a Capital Equipment policy as a South Metro Fire Department (SMFD) financial policy.

Purpose: The purpose for the Capital Equipment Policy is to provide fiscal guidance and documentation on the South Metro Fire department's (SMFD) Capital Equipment Replacement Fund and other minor capital items.

Policy:

Capital Equipment Replacement Fund

The Capital Equipment Replacement Fund is established to account for the replacement of capital equipment in a cost range of \$15,000 to \$100,000. The following procedures shall be performed in relation to the Capital Equipment Replacement fund:

1. Annually review and approve the SMFD 5 year capital plan and develop a current year Capital Equipment Fund budget.
2. Annually allocate the appropriate level of funds to meet the funding needs of the current replacement cycle. The appropriation of funds shall take the SMFD 5 year capital plan into consideration in order to avoid significant funding fluctuations.
3. All Capital Equipment purchases shall be compliant with established internal policies and legal compliance requirements as set forth by state statutes.

Minor Capital Equipment

For the purposes of this policy, SMFD shall consider Minor Capital Equipment to have a single item or program cost of greater than or equal to \$2,500 and less than \$15,000. These items shall be addressed and reviewed annually as part of the SMFD's operating budget.

Requests for carryover of budget authority for minor capital from one budget year to the next shall be submitted by the Fire Chief prior to the January Board meeting for Board approval. Request for carryover shall include the specified use and reason for the carryover.

6. INVESTMENT POLICY

Objective. The objective of the Department's investment policy is to ensure: preservation and safety of the invested principal; maintenance of sufficient flexibility to assure the availability of funds to meet reasonably anticipated Department cash requirements; and the best rate of return, given objectives, on Department investments.

Safety. Preservation and safety of the principal is the first priority in the investment activities of the Department. Avoiding capital losses shall be the primary objective of every investment transaction. Any investment with a maturity or average maturity beyond two years will be purchased if the Department clearly has the financial capacity to hold the investment until it matures. Authorized investments are pursuant to applicable Minnesota Statutes, including Chapter 118A. Although the Department may legally utilize the full range of investment vehicles, a more conservative approach will be taken with the selection of actual investments to include only the following, which are considered the safest with the least principal risk:

- United States Treasury Obligation and United States Government Agency Securities;
- repurchase and reverse repurchase agreements of United States Treasury Obligation and United States Government Agency Securities;
- certificates of deposit up to \$100,000 (federally insured) or properly collateralized if over \$100,000;
- prime grade commercial paper (rating of A-1, P-1, or F-1);
- banker's acceptances (Federal Reserve qualified); and
- money market funds consisting of one or more of the above.

Liquidity. The Department's investment portfolio will contain sufficient flexibility to assure that funds will be available to meet all reasonably anticipated cash requirements. The Department will ensure that all short- and long-term cash flow needs are considered when selecting investments.

Rate of Return. The Department will seek investment that provide the best rate of return considering the nature, maturity, yield, price and other terms of specific investments.

Authorized Banks, Dealers, Depositories and Collateral. Minnesota Statutes establish permissible investments for cities and set the standards for authorized investment dealers, depositories and collateral. In accordance with Minnesota state law and dealer/broker licensure requirements, the Department shall obtain a certificate from the supervising officer of the broker/dealer that the firm will adhere to state law and the Department's investment policy before the Department can engage in any investment transactions.

Reporting. The Chief, or his/her designee, shall report to the Board on the status of any Department investments on a quarterly basis. This report shall include the value of the Department's investment portfolio, names of individuals making any investment transactions, types of investments, yields, gains/losses, average days to maturity and the status of any state statutory reporting requirements.

7. PURCHASING POLICY

Objective. The objective of the Department's purchasing policy is to ensure full and open competition in Department purchases.

Uniform Municipal Contracting Law. The Department shall comply with Minnesota Statutes Section 471.345, the Uniform Municipal Contracting Law, for the sale or purchase of goods or the construction, alteration, repair or maintenance of real or personal property.

Contracts over \$100,000. Contracts estimated to have a value over \$100,000 must be awarded through a formal bidding process. Sealed bids shall be solicited by public notice in the Department's official newspaper. Bids shall be retained on file pursuant to the Department's Data Retention Policy.

Contracts \$25,000 - \$100,000. If the amount of the contract is estimated to exceed \$25,000 but not to exceed \$100,000, the contract may be made either upon sealed bids or by direct negotiation, by obtaining two or more quotations for the purchase or sale when possible, and without advertising for bids or otherwise complying with the requirements of competitive bidding.

Contracts less than \$25,000. If the amount of the contract is estimated to be \$25,000 or less, the contract may be made either upon quotation or in the open market. If the contract is made upon quotation it shall be based, so far as practicable, on at least two quotations.

8. OTHER POLICIES

Department Credit Cards. All credit card usage must comply with Minnesota Statutes 471.382. The use of a credit card is restricted to public purchases for the Department; no personal purchases are allowed. If Department employees make purchases for the Department that are not authorized by the Board, those employees become personally liable for the amount of the purchases. Employees must retain and submit copies of the invoices, purchase orders and receipts needed to support the items charged on the Department credit card. Credit cards will be issued only to those officers selected by the Chief; employees who receive a Department credit card must sign an agreement stating they understand the Department's credit card policy. [See below.] Credit card usage is only allowed for purchases where vendor credit is not available. A credit card transaction may not exceed \$500 (per transaction) without approval of the Chief. The Chief of the Department will review all monthly credit card statements. The Department will pay any credit card bills in their entirety each month. The Chief may impose additional requirements as needed in order to further internal controls.

South Metro Fire Department Credit Card Policy (to be signed by employees)

I [name of employee] hereby agree to comply with the following terms and conditions relating to my use of any South Metro Fire Department ("Department") credit cards. I will only use the card to acquire authorized materials and supplies for Department business-related purchases in accordance with the Department's credit card policy. I further understand and agree:

- To return the card to the Fire Chief immediately upon resignation, termination or upon request. At that point, no further use of the credit card is authorized.
- The card issued to me is based on my need to purchase business-related goods and services.
- I will not make personal charges to the credit card and cannot pay the issuing bank directly since all charges are billed directly to and paid directly by the Department. Personal charges on the card would be considered misappropriation of Department funds and may result in disciplinary action.
- As the only person entitled to use the Department credit card given to me, I am responsible for: card security; striving to obtain the best value for the Department; assuring that purchases are business-related; and timely resolution of any discrepancy/improper charges on my credit card with the issuing bank and/or supplier.
- If the Department credit card in my possession is lost or stolen, I will immediately notify the Fire Chief and the card's issuing bank.
- I will comply with sound internal auditing control procedures for product purchases. This includes submitting invoices, purchase orders and receipts for each credit card transaction I conduct.

My signature below affirms I have read and understand this policy document.

[Printed name of employee]

[Signature of employee]

[Date]

Petty Cash Policy. A petty cash fund shall be established and maintained by the Chief's designees. This fund shall contain \$100 to reimburse employees for Department expenses. The petty cash fund should always total \$100 in cash or receipts. A Department employee seeking reimbursement from the petty cash fund shall submit a receipt to the Department Secretary, who shall reimburse the employee and write a receipt for any petty cash disbursements; this receipt, along with the receipt for the initial purchase, shall be kept in the petty cash box to assist in reconciliation. The limit for reimbursement is \$20. The petty cash box must be reconciled on a daily basis by the West St. Paul accounts payable clerk; if the petty cash fund exceeds \$100 the Department Secretary, or his/her designee, must make a deposit to the Department's depository within one business day. The petty cash box must remain locked when not in use and stored in the front administrative desk or in the West St. Paul accounts payable clerk's office. In the absence of the Secretary, other Department employees may be designated to handle petty cash transactions.

Operating Cash Policy. An operating cash fund shall be maintained by Department Secretary. This fund shall be established to account for payments made to the Department for fees and/or services (i.e., inspection fees). Checks are accepted, however checks returned for any reason shall be assessed a \$15 fee. [See *Check Policy*, below.] The balance of the operating cash fund shall not exceed \$100. If the total operating cash fund exceeds \$100, the Department Secretary, or his/her designee, must make a deposit to the Department's depository within one business day. A receipt of this deposit must be kept on file in the Department. Anyone seeking to make a payment to the Department shall provide their payment to the Department Secretary. If money is taken into the operating cash fund a receipt must be created by the Department Secretary and provided to the party making the payment. The Secretary will place a duplicate of this receipt in the operating cash box to assist with reconciliation. The operating cash fund must be reconciled on a daily basis by the West St. Paul accounts payable clerk. The operating cash fund must remain locked when not in use and stored in the front administrative desk in the West St. Paul accounts payable clerk's office. In the absence of the Department Secretary, other Department employees may be designated to handle petty cash transactions.

Check Policy. For a check written to the Department that is returned from the bank because of insufficient funds or other reasons (i.e., closed account), a \$15 fee is added to the amount of the check. Only cash or a cashier's check is acceptable to clear the obligation. If needed, the Department shall seek collection assistance from the West St. Paul or South St. Paul Finance Department. This policy shall be posted in the Department's main office.

Payroll Procedures. In order to ensure process comparability, the Department payroll system shall mirror that of West St. Paul (bi-weekly payments). Department employees are responsible for filling out their own timesheets. Any errors in timesheet data submitted for payroll shall be the responsibility of the employee being compensated. Timesheets shall be submitted to Shift Captains for approval no later than 4:00 p.m. on the Sunday prior to payment. Shift Captains shall compare timesheets with station logbooks; ensure compliance with the appropriate collective bargaining agreement and the Department's personnel policy; and forward the timesheets to the Department Secretary. The Chief and Chief's officers shall approve the time sheets of their direct reports and forward them to the Department Secretary. The Department

Secretary shall review the timesheets for consistency and forward them to the West St. Paul Payroll Clerk by 12:00 pm the Monday of payroll week.

The West St. Paul payroll clerk will process the payroll and issue payment to Department employees via direct deposit. No payroll checks shall be issued. Any questions regarding payroll or benefits shall be directed to the Department Secretary. The Department Secretary shall prepare summary payroll reports and forward them to the Chief for presentation to and approval by the Board.

9. Write off Policy

Scope: The South Metro Fire Board established a policy to write off uncollectible revenue receivables. The policy shall be identified as the “Write-Off Policy”. (Policy)

Purpose: The purpose for the Policy is to provide for a consistent and uniform approach for adjusting revenue expectations due to the inability to collect on the account.

Process

The Board shall annually write off uncollectable revenues following the procedure below:

3. The SMFD ambulance billing vendor shall provide the Fire Chief with a list of unpaid claims on a regular basis.
4. The Fire Chief shall monitor a list of unpaid claims. At the end of the fiscal year, claims that exceed 365 days aged, shall be considered “uncollectible” and presented to the Board. The SMFD, upon recommendation of the Fire Chief, shall write off these claims.
 - a. Writing off a claim does not preclude continued collection activities, including, but not limited to:
 - i. Revenue Recapture
 - ii. Small Claims
 - iii. Collections
 - iv. Financial Hardship Process in accordance with Minnesota Statute.
 - v. Legal action

10 -Donations policy:

Scope:

This policy is intended to provide guidance and process for the solicitation, use, and retention of grants and donation.

Discussion:

The purpose of this policy is to provide a consistent approach that does not conflict with department missions or needs. The SMFD from time to time has a need to solicit donations and grants from a variety of sources. The sources' may include although not limited to; the federal, state, county government or through private grants and donations. The policy recognizes that grants often have a designated purpose or intent and donations typically do not have a pre designated purpose.

Policy;

- All grant applications, solicitations must have prior approval of the fire chief.
- The Fire Chief shall notify the Fire Board of all grant/donation applications/solicitations.
- Grants shall be accounted for in a separate fund(s)
- The SMF Board shall be notified, and approve by resolution all grants and donations received. The use of these funds shall be determined by the Board at the time of acceptance.