AGENDA ITEM or FINAL CONTRACT REVIEW SUBMITTAL FORM

Agenda Item: Updated Financial Policies

Action Requested: Board of County Commissioners' Signature

Parties to the Agreement:

Term Begins: **Term Ends:** **Grant Contract #:**

Summary:

Please see the attached draft. This update includes a few substantive changes: 1) Fixed asset values increased from $4k to $5k, and the useful life timeframe was increased from one year to two years; and 2) The review frequency increased from every three years to every five years. Additionally,

Fiscal Impact:

Submitted by: Katherine Haase **Submitter's Email Address:** khaase@gunnisoncounty.org

Finance Review: (●) Required ( ) Not Required

Comments:
No concerns, reviewed during draft process. ln

Reviewed by: GUNCOUNTY1\lNienhueser Discharge Date: 1/4/2019

County Attorney Review: (●) Required ( ) Not Required

Comments:
Ok. db 1/41/9

Reveiwed by: GUNCOUNTY1\dBaumgarten Discharge Date: 1/4/2019 Certificate of Insurance Required Yes ( ) No (●)

County Manager Review:

Comments:

Reveiwed by: GUNCOUNTY1\emense Discharge Date: 1/4/2019

(●) Consent Agenda ( ) Regular Agenda ( ) Worksession Time Allotted: 0

Agenda Date: 1/8/2019

Revised April 2015

BOARD OF COUNTY COMMISSIONERS
OF THE COUNTY OF GUNNISON, COLORADO
RESOLUTION NO. 2019-1

A RESOLUTION ADOPTING REVISED GUNNISON COUNTY FINANCIAL POLICIES

WHEREAS, Gunnison County has established a uniform policy format and an adoption and periodic review process to promote consistency and uniformity throughout the organization; and

WHEREAS, Gunnison County is a statutory County with an elected Board of Commissioners that is responsible for setting policy, appointing administrative personnel and the adoption of an annual budget in accordance with state statutes; and

WHEREAS, C.R.S. 29-1-506 requires Gunnison County to prepare a periodic inventory of certain County fixed assets and establish the monetary level above which its fixed assets will be subject to the statutory inventory requirement; and

WHEREAS, Gunnison County is responsible for the use of public dollars within its community; and

WHEREAS, Resources should be used prudently to ensure adequate funding for the services, public facilities and infrastructure necessary to meet the community's present and future needs; and

WHEREAS, the County's budget process provides a comprehensive and participatory approach for creating a budget plan that addresses the needs of residents through effective management of County resources; and

WHEREAS, the County's financial policies are intended to serve as a blueprint to achieving the fiscal stability required to fund the services, public facilities and infrastructure necessary to meet the community's immediate and long term objectives. In addition, these policies can improve financial planning and assist with internal financial management for the County; and

WHEREAS, Gunnison County previously adopted the Gunnison County Financial Policies on April 6, 2010 via Resolution #2010-09; and

WHEREAS, the attached Gunnison County Financial Policies document (Exhibit A) was created to reflect Gunnison County's current practices, which conform to all State and Federal guidelines and regulations.

NOW, THEREFORE, BE IT RESOLVED by the Board of County Commissioners of Gunnison County, Colorado that:

1. Policy #1.2.1.3, *Gunnison County Financial Policies* (Exhibit A), attached hereto, is adopted;
2. Resolution #2010-09 (Exhibit B) and Resolution #1999-40 (Exhibit C), attached hereto, are rescinded and replaced by passage of this Resolution.

INTRODUCED by Commissioner _____, seconded by Commissioner _____, and adopted this 8th day of January, 2019.

BOARD OF COUNTY COMMISSIONERS
OF GUNNISON COUNTY, COLORADO

_____
Jonathan Houck, Commissioner

_____
John Messner, Commissioner

_____
Roland Mason, Commissioner

Attest:

_____
Deputy County Clerk

EXHIBIT A

Policy Name:	Gunnison County Financial Policies			Policy Number:	1.2.1.3
Approval Authority:	Gunnison County Board of County Commissioners			Date of Adoption:	1/8/2019
Effective Date:	1/1/2019	Adoption Document:	Resolution #2019-1		
Review Date:	1/1/2024	Review Frequency:	Every Five (5) Years	Policy Custodian:	Administration Department

PURPOSE

The purpose of Gunnison County's financial policies is to serve as a foundation for long and short range planning, facilitate decision making, and provide direction to staff for handling the County's day-to-day financial business. These policies also serve as a blueprint to achieve the fiscal stability necessary to carry out the County's mission, vision and values. Because of the broad and diverse nature of the County's offices and departments it is critical to have written, clearly defined, financial policies which minimize the risk of developing conflicting or inconsistent goals and objectives causing negative impacts on the overall financial position of Gunnison County.

Each annual Gunnison County budget is developed using the Managing for Results (MFR) performance management initiative, which links resources to results and aligns with the Board of County Commissioners' Strategic Plan. Each budget is a crucial element of the MFR process.

SCOPE

This policy applies to the entire Gunnison County organization, including all departments and offices.

DEFINITIONS

- Balanced Budget. The recommended budget presented annually to the Board of County Commissioners shall be balanced by fund. According to C.R.S. 29-1-103 no budget adopted shall provide for expenditures in excess of available revenues and beginning fund balances.

POLICY STATEMENTS

Auditing and Financial Reporting

- An independent audit will be performed annually in accordance with State law (C.R.S.29-1-603).
- The County's accounting system, Tyler Munis, shall be maintained in conformance with Generally Accepted Accounting Principles (GAAP) established by the Governmental Accounting Standards Board (GASB) and with the goal of obtaining an unqualified opinion from the independent auditor.
- The County will produce its General Purpose Financial Statements (GPFS) in conformance with GAAP.

Fund Accounting

Pursuant to GASB 34 the principal role of funds in the new financial reporting model is to demonstrate fiscal accountability. While there are no limits to the number of individual funds a government elects to use, a basic principle of governmental accounting recommends that the entity use the smallest number of individual funds possible, consistent with its particular circumstances. Gunnison County has 24 funds, which are broken out into three classifications: Governmental, Proprietary and Fiduciary Funds.

The general ledger is organized on the basis of these funds and the fund's classification, and maintained in conformance with GAAP. Each fund is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that consist of assets, liabilities, fund equity, revenues and expenditures. The fund structure in the audited financial statements is different from the budgetary fund structure since the County does not budget for Agency Funds or Asset and Liability accounts. Therefore, these are not included in the budget document.

Governmental Funds:

General Fund

01 General Fund

Special Revenue Funds

02 Road & Bridge Fund
03 Human Services Fund
07 Conservation Trust Fund
12 Sales Tax Fund
13 Land Preservation Fund
30 Mosquito Control Fund
32 Sage Grouse Trust Fund
34 Risk Management
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91 Gunnison River Valley Local Marketing District
92 Gunnison Valley Transportation Authority

Capital Funds

41 Airport Construction Fund
43 Capital Expenditures Fund

Proprietary Funds:

Enterprise Funds

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71 Senior Housing Fund

Internal Services Funds

80 Internal Service Fund I (County Shops/Equipment)
82 Internal Service Fund II (Information Technology/Mapping)
90 Internal Service Fund III (Unemployment/Insurance)

Fiduciary Funds:

County Treasurer Agency Fund
Public Trustee Agency Fund

Basis of Budgeting and Accounting

The basis of accounting for governmental funds is modified accrual. The basis of budgeting for governmental funds is also modified accrual. The basis of accounting for proprietary funds is full accrual, and the basis of budgeting proprietary funds is full accrual. Revenues are recognized in the accounting period in which they become "available and measurable."

The County budgets on a calendar year, January 1- December 31 for all funds. Any increase to the adopted budget requires that a supplemental budget and appropriation be approved by the Board of County Commissioners at a public hearing, with prior published notice of the proposed change (C.R.S. 29-1-109).

Expenditures must not exceed appropriations approved by the Commissioners (C.R.S. 29-1-110). The appropriations are established by classification and function.

According to Colorado State Statute (C.R.S. 30-25-202), moneys credited to Capital Funds shall not revert or be transferred to any other fund. Likewise, no transfers are allowed from the General Fund into the Road & Bridge Fund per State Law (C.R.S. 30-25-106).

Fund Balances

- Each fund should maintain a fund balance at a level that will provide for a positive cash balance throughout the fiscal year, which will reduce the likelihood of having to enter into short-term debt to pay for current operating expenditures.
- Adequate fund balances will be maintained so major unplanned occurrences will not jeopardize the financial position of the County.
- In order to meet emergency obligations, avoid interruptions in cash flow, generate interest income, and maintain a sound bond rating, the County shall maintain an unassigned fund balance in its General Fund of 25% of operational expenditures. GFOA recommended practice is at a minimum no less than five to fifteen percent of regular General Fund operating revenues, or no less than one to two months of regular General Fund operating expenditures. Because of the conservative approach to maintaining sufficient resources, Gunnison County requires an unassigned fund balance in the General Fund in excess of these recommended minimums.
- Fund balance may be used as appropriate (and approved by the Board of County Commissioners) under sound management practices when current revenues are not adequate to cover current expenditures.
- Gunnison County will maintain an emergency reserve in an amount equal to at least three percent of fiscal year spending in accordance with the provisions of Article X, Section 20 of the State Constitution (TABOR Amendment).

Revenues

- The County should strive to maintain a diversified and stable revenue base; to the extent it has the legal authority to do so.
- The County should follow an aggressive policy of collecting all due and payable revenues.
- All revenue projections should be realistically calculated and budgeted.
- Funding through grants is encouraged as a means of financing a project or one-time expenditures. The County should, however, discourage the use of intergovernmental grant assistance for routine, ongoing operational costs and programming may be cancelled if grants are not sustained.

Fees and User Charges

- The County will set its fees and user charges to recover, at a minimum, the variable costs of services in order to reduce reliance on property and other taxes.
- The County should charge fees and user charges when it is allowable, when a limited and specific group of beneficiaries can be identified or when it is feasible to charge beneficiaries for services rendered. To the extent possible, fee levels should be set to recover the full costs of the services provided, unless it is deemed necessary or desirable to subsidize the service.
- The capital and operating budgets of enterprise funds (i.e., Solid Waste Fund), shall not be subsidized by the General Fund and shall be supported wholly by fees and charges generated by the enterprise.
- As part of the budget process, the County shall annually review the fees and user charges. All changes to the schedule of fees and charges must be approved by the Board of County Commissioners.

Operating Expenditures

- The County will pay all current expenditures with current revenue.
- In accordance with Colorado State Law, Gunnison County will adopt a balanced budget for each

fund.

- The County will maintain a budgetary control system to ensure adherence to the budget and will make timely reports available to management, which compare actual revenues and expenditures to budgeted amounts.
- The County will encourage the use of technology and capital investment programs that are cost effective and will manage the growth of operating costs.
- Supplemental requests for funding will be heard by the Board of County Commissioners on an as needed basis, no less than annually.
- Services that directly contribute to the BOCC Strategic Plan for the County will receive first priority for funding.
- A plan should be maintained and funded which provides for the orderly replacement of equipment.
- The County will not use long-term debt for current operational costs.

Debt

Debt is an important tool for financing capital facilities.

- The issuance of debt is in accordance with Colorado State Laws.
- Debt will not be used to finance current operating expenses. Debt should only be used for the construction of capital facilities or the purchase of capital assets. In general, the assets should not be recurring capital replacements, such as vehicles.
- The County will confine long-term borrowing to major capital purchases or projects that cannot be financed from current revenues. The County should exhaust all possible resources, such as grants and pay-as-you-go funding, before borrowing funds.
- The Board of County Commissioners is authorized to execute lease agreements on behalf of the County, including Certificates of Participation.
- When debt is approved by the voters, the County will make every effort to obtain the best possible rating and to maintain a favorable rating through prudent financial management.
- Refunding of Outstanding Debt: A refunding (or refinancing), either on a current or advance basis, will only be executed if the net present value savings (gross savings present valued at the arbitrage yield of proposed refunding issue), net of issuance costs and cash contribution to the refinancing, is at least 3%. However, in certain circumstance, a lower threshold may be justified if the refunding is being executed for reasons other than economic savings (e.g. cash flow relief).

Capital Improvement Program (CIP)

- The County will plan for its capital needs at least five years into the future in order to address needs and to earmark revenues.
- A five-year CIP shall be prepared and updated annually. Elected official offices and departments shall request items meeting the definition of capital assets through the annual capital budget process.
- The CIP incorporates a ranking method to determine priority of projects that includes project criteria weight factors and amplification factors.
- The County will strive to fund capital improvements on a pay-as-you-go basis in order to enhance its financial condition and bond rating.
- An asset is classified as a fixed asset if the cost is greater than $5,000 and its useful life is greater than two years.

Compensation

One of the largest expenditure items is salaries and benefits for Gunnison County employees. The County recognizes its employees as the greatest asset and takes pride in its ability to deliver a total compensation package that includes cash compensation, health insurance and retirement benefits, and other employee benefits that provide employees with security and opportunity.

Gunnison County is committed to compensating its employees fairly, within economically feasible parameters, while considering the competitive job market, internal equity and individual performance.

- Salary range structures should be evaluated periodically to determine the relative competitiveness of the pay structure to the job market.
- The midpoint of the salary range is the market value against which the County will assess its pay plan relative to the job market.
- All proposed salary structure adjustments require the approval of the Board of County Commissioners during the annual budget process. Equity, one-time payments and performance adjustments require the approval of the County Manager.
- Staffing shall not exceed the authorized level.
- Savings in an adopted budget that result from vacant positions are not to be used as justification for Elected Officials or Department Heads to increase expenses for operational or capital expenditure purposes.
- Gunnison County does not have a defined benefit plan for retirees.

Internal Controls

Gunnison County management is responsible for establishing and maintaining an internal control structure. Internal controls are defined as the organization and methods used to: 1) safeguard assets from loss by fraud or by unintentional errors; 2) assure the reliability of the accounting data which management may use in making decisions; and 3) promote operational efficiency and encourage adherence to adopted policies. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management. We believe the County's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

- The County will utilize the Tyler Munis accounting software system to maintain its financial accounting and reporting. All records and reporting will be in accordance with GAAP. The County will maintain an accounting system which provides internal budgetary and accounting controls designed to provide reasonable assurance regarding both the safeguarding of assets against the loss from unauthorized use or disposition and the reliability of financial information used in preparation of financial statements and reports.
- An independent certified public accounting firm will perform an annual audit and will publicly issue a financial opinion and a statement on internal controls. A management letter will be part of this report.
- The County will maintain and update procedures designed for position control, as it relates to authorized positions, hours budgeted and worked, and filling vacancies. All positions dependent on grant funding will require the employee to verify their understanding that if grant funding decreases or ends, their compensation will also decrease or end.
- The County Finance Office will maintain a fixed assets inventory for assets greater than $5,000. Capitalization thresholds will not be applied to groups of similar items if they individually do not meet the capitalization criteria.
- The County Departments will maintain an inventory of items that require special attention to ensure legal compliance. Legal or contractual provisions may require a higher than ordinary level of accountability over certain items (i.e., items acquired through grant contracts).
- The County Departments will maintain an inventory of theft sensitive items (i.e., computers, laptops, monitors).
- The County Departments will maintain an inventory of items that require special attention to protect public safety and avoid potential liability (i.e., Sheriff's or Airport firearms).
- Internal control procedures should be formally documented and reviewed periodically.
- An accounting procedures manual will be maintained and updated on a continuing basis.

Amending the Budget

A budget amendment will increase or decrease budget appropriations adopted by the Board of County Commissioners. Budget appropriations may be adjusted due to the following:

- Appropriation Transfers - the transfer of appropriated budget from one or more spending agencies in a fund to one or more spending agencies in another fund or between spending agencies within a fund (C.R.S. 29-1-109 1a).
    - Used when a unit is identified as having insufficient budget dollars while at the same time another appropriation unit is identified as having an excess budget.
- Supplemental Appropriations - if, during the fiscal year, unanticipated revenues that were not assured at the time of the adoption of the budget from any source other than the local government property tax mill levy are received or if the beginning fund balance is in excess of the budgeted fund balance, the result is additional available revenues 29-1-109 1b).
    - Used when a policy, law, statute, or court ruling becomes effective which mandates expenditures that were not anticipated or budgeted.
    - Used when an expenditure item is essential to the operation of a County office or department that was neither anticipated nor budgeted.
    - Used when revenue is received and designated for a particular purpose that was neither anticipated nor budgeted.
- Budgetary Decreases - if revenues are lower than anticipated in the adopted budget (C.R.S. 29-1-109 1c).
    - Used when the projected revenue shortfall is large enough that it would cause a shortfall for a fund or for a program dependent upon it.

Review Timeline

These policies will be evaluated annually and updated periodically, no less than once every five years.

COMPLIANCE

This policy shall be complied with in all respects. Revisions to this policy may occur. However, when deemed necessary in order to fully protect the County's interests, the interest of the public, and to more fully protect the safety of the public, including employees governed by this policy, this policy may be changed without notice.

APPLICABLE LEGISLATION AND/OR RELATED REGULATIONS, POLICIES AND FORMS

- Article X, Section 20 of the Colorado Constitution (TABOR Amendment)
- C.R.S. 29-1-109 & C.R.S. 29-1-109(1)(a-c)
- C.R.S. 29-1-110
- C.R.S. 29-1-506
- C.R.S. 29-1-603
- C.R.S. 30-25-106
- C.R.S. 30-25-202
- Generally Accepted Accounting Principles (GAAP)

BOARD OF COUNTY COMMISSIONERS
OF GUNNISON COUNTY
RESOLUTION NO. 99-40

A RESOLUTION SETTING A MONETARY THRESHOLD
FOR FIXED ASSET INVENTORY PURSUANT TO §29-1- 506 C.R.S.

WHEREAS, §29-1-506, C.R.S., requires Gunnison County to prepare a periodic inventory of certain county fixed assets; and

WHEREAS, SB 98-32 amended §29-1-506, C.R.S., to provide that the governing body of each local government may establish the monetary level above which its fixed assets will be subject to the statutory inventory requirement; and

NOW THEREFORE, BE IT RESOLVED BY the Board of County Commissioners of Gunnison County that pursuant to §29-1-1506 C.R.S., the real and personal property of Gunnison County which is to be inventoried shall be computer equipment with an original cost of One Thousand Dollars ($1,000) or more, and all other fixed assets having an original cost of Five Thousand Dollars ($5,000) or more.

FURTHER, the final asset inventory of the County will be submitted to the Board of County Commissioners for their review on an annual basis.

INTRODUCED by Commissioner Starr, seconded by Commissioner Zanetell, and adopted this 21st day of September, 1999.

BOARD OF COUNTY COMMISSIONERS
OF GUNNISON COUNTY, COLORADO

By _____
Fred Field, Chairperson

By _____
Marlene Zanetell, Commissioner

By _____
James Starr, Commissioner

Attest:

_____
Clerk

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BOARD OF COUNTY COMMISSIONERS
OF THE COUNTY OF GUNNISON, COLORADO
RESOLUTION NO. 2010-09

A RESOLUTION ADOPTING GUNNISON COUNTY FINANCIAL POLICIES

WHEREAS, Gunnison County is a statutory county with an elected Board of Commissioners that is responsible for setting policy, appointing administrative personnel and the adoption of an annual budget in accordance with state statutes; and

WHEREAS, Gunnison County is responsible for the use of public dollars within its community; and

WHEREAS, Resources should be used prudently to ensure adequate funding for the services, public facilities and infrastructure necessary to meet the community's present and future needs; and

WHEREAS, the County's budget process provides a comprehensive and participatory approach for creating a budget plan that addresses the needs of residents through effective management of County resources; and

WHEREAS, the County's financial policies are intended to serve as a blueprint to achieving the fiscal stability required to fund the services, public facilities and infrastructure necessary to meet the community's immediate and long term objectives. In addition, these policies can improve financial planning and assist with internal financial management for the County.

NOW THEREFORE, BE IT RESOLVED the Board of County Commissioners of Gunnison County, Colorado adopts the "Gunnison County Financial Policies identified in Exhibit A, attached hereto and incorporated herein.

INTRODUCED by Commissioner Swenson, seconded by Commissioner Channell, and adopted this 6th day of April, 2010.

BOARD OF COUNTY COMMISSIONERS
OF GUNNISON COUNTY, COLORADO

By _____
Jim Starr, Chairperson

By _____
Hap Channell, Vice Chairperson

By _____
Paula Swenson, Commissioner

GUNNISON COUNTY SEAL COLORADO

ATTEST:
_____
Deputy County Clerk

Exhibit A

Gunnison County
Financial Policies

Purpose

The purpose of Gunnison County's financial policies is to serve as a foundation for long and short range planning, facilitate decision making, and provide direction to staff for handling the County's day-to-day financial business. These policies also serve as a blueprint to achieve the fiscal stability necessary to carry out the County's mission, vision and values. Because of the broad and diverse nature of the County's offices and departments it is critical to have written, clearly defined, financial policies which minimize the risk of developing conflicting or inconsistent goals and objectives causing negative impacts on the overall financial position of Gunnison County.

Auditing and Financial Reporting

- An independent audit will be performed annually in accordance with State law (C.R.S.29-1-603).
- The County's accounting system, Blackbaud FundWare, shall be maintained in conformance with Generally Accepted Accounting Principles (GAAP) established by the Governmental Accounting Standards Board (GASB) and with the goal of obtaining an unqualified opinion from the independent auditor.
- The County will produce its General Purpose Financial Statements (GPFS) in conformance with GAAP.

Fund Accounting

Pursuant to GASB 34 the principal role of funds in the new financial reporting model is to demonstrate fiscal accountability. While there are no limits to the number of individual funds a government elects to use, a basic principle of governmental accounting recommends that the entity use the smallest number of individual funds possible, consistent with its particular circumstances. Gunnison County has 24 funds, which are broken out into three classifications: Governmental, Proprietary and Fiduciary Funds.

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FIDUCIARY FUNDS

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Basis of Budgeting and Accounting

The basis of accounting for governmental funds is modified accrual. The basis of budgeting for governmental funds is also modified accrual. The basis of accounting for proprietary funds is full accrual, and the basis of budgeting proprietary funds is full accrual. Revenues are recognized in the accounting period in which they become "available and measurable."

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appropriations approved by the Commissioners (C.R.S. 29-1-110). The appropriations are established by classification and function.

According to Colorado State Statute (C.R.S. 30-25-202), moneys credited to Capital Funds shall not revert or be transferred to any other fund. Likewise, no transfers are allowed from the General Fund into the Road & Bridge Fund per State Law (C.R.S. 30-25-106).

Definition of a Balanced Budget

The recommended budget presented annually to the Board of County Commissioners shall be balanced by fund. According to C.R.S. 29-1-103 no budget adopted shall provide for expenditures in excess of available revenues and beginning fund balances.

Fund Balances

- Each fund should maintain a fund balance at a level that will provide for a positive cash balance throughout the fiscal year, which will reduce the likelihood of having to enter into short-term debt to pay for current operating expenditures.
- Adequate fund balances will be maintained so major unplanned occurrences will not jeopardize the financial position of the County.
- In order to meet emergency obligations, avoid interruptions in cash flow, generate interest income, and maintain a sound bond rating, the County shall maintain an unassigned fund balance in its General Fund of 25% of operational expenditures. GFOA recommended practice is at a minimum no less than five to fifteen percent of regular General Fund operating revenues, or no less than one to two months of regular General Fund operating expenditures. Because of the conservative approach to maintaining sufficient resources, Gunnison County requires an unassigned fund balance in the General Fund in excess of these recommended minimums.
- Fund balance may be used as appropriate (and approved by the Board of County Commissioners) under sound management practices when current revenues are not adequate to cover current expenditures.
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- The capital and operating budgets of enterprise funds (i.e., Solid Waste Fund), shall not be subsidized by the General Fund and shall be supported wholly by fees and charges generated by the enterprise.
- As part of the budget process, the County shall annually review the fees and user charges. All changes to the schedule of fees and charges must be approved by the Board of County Commissioners.

Operating Expenditures

- The County will pay all current expenditures with current revenue.
- In accordance with Colorado State Law, Gunnison County will adopt a balanced budget for each fund.
- The County will maintain a budgetary control system to ensure adherence to the budget and will make timely reports available to management, which compare actual revenues and expenditures to budgeted amounts.
- The County will encourage the use of technology and capital investment programs that are cost effective and will manage the growth of operating costs.
- Supplemental requests for funding will be heard by the Board of County Commissioners on an as needed basis, no less than annually.
- Services that directly contribute to the BOCC Strategic Plan for the County will receive first priority for funding.
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- The County will not use long-term debt for current operational costs.

Debt

Debt is an important tool for financing capital facilities.

- The issuance of debt is in accordance with Colorado State Laws.

- Debt will not be used to finance current operating expenses. Debt should only be used for the construction of capital facilities or the purchase of capital assets. In general, the assets should not be recurring capital replacements, such as vehicles.
- The County will confine long-term borrowing to major capital purchases or projects that cannot be financed from current revenues. The County should exhaust all possible resources, such as grants and pay-as-you-go funding, before borrowing funds.
- The Board of County Commissioners is authorized to execute lease agreements on behalf of the County, including Certificates of Participation.
- When debt is approved by the voters, the County will make every effort to obtain the best possible rating and to maintain a favorable rating through prudent financial management.
- Refunding of Outstanding Debt: A refunding (or refinancing), either on a current or advance basis, will only be executed if the net present value savings (gross savings present valued at the arbitrage yield of proposed refunding issue), net of issuance costs and cash contribution to the refinancing, is at least 3%. However, in certain circumstance, a lower threshold may be justified if the refunding is being executed for reasons other than economic savings (e.g. cash flow relief).

Capital Improvement Program (CIP)

- The County will plan for its capital needs at least five years into the future in order to address needs and to earmark revenues.
- A five-year CIP shall be prepared and updated annually. Elected official offices and departments shall request items meeting the definition of capital assets through the annual capital budget process.
- The CIP incorporates a ranking method to determine priority of projects that includes project criteria weight factors and amplification factors.
- The County will strive to fund capital improvements on a pay-as-you-go basis in order to enhance its financial condition and bond rating.
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- Salary range structures should be evaluated periodically to determine the relative competitiveness of the pay structure to the job market.
- The midpoint of the salary range is the market value against which the County will assess its pay plan relative to the job market.
- All proposed salary structure adjustments require the approval of the Board of County Commissioners during the annual budget process. Equity, one-time payments and performance adjustments require the approval of the County Manager.
- Staffing shall not exceed the authorized level.
- Savings in an adopted budget that result from vacant positions are not to be used as justification for Elected Officials or Department Heads to increase expenses for operational or capital expenditure purposes.
- Gunnison County does not have a defined benefit plan for retirees.

Internal Controls

Gunnison County management is responsible for establishing and maintaining an internal control structure. Internal controls are defined as the organization and methods used to: 1) safeguard assets from loss by fraud or by unintentional errors; 2) assure the reliability of the accounting data which management may use in making decisions; and 3) promote operational efficiency and encourage adherence to adopted policies. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management. We believe the County's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

- The County will utilize the Blackbaud FundWare accounting software system to maintain its financial accounting and reporting. All records and reporting will be in accordance with GAAP. The County will maintain an accounting system which provides internal budgetary and accounting controls designed to provide reasonable assurance regarding both the safeguarding of assets against the loss from unauthorized use or disposition and the reliability of financial information used in preparation of financial statements and reports.
- An independent certified public accounting firm will perform an annual audit and will publicly issue a financial opinion and a statement on internal controls. A management letter will be part of this report.
- The County will maintain and update procedures designed for position control, as it relates to authorized positions, hours budgeted and worked, and filling vacancies. All positions dependant on grant funding will require the employee to verify their understanding that if

grant funding decreases or ends, their compensation will also decrease or end.

- The County Finance Office will maintain a fixed assets inventory for assets greater than $4,000. Capitalization thresholds will not be applied to groups of similar items if they individually do not meet the capitalization criteria.
- The County Departments will maintain an inventory of items that require special attention to ensure legal compliance. Legal or contractual provisions may require a higher than ordinary level of accountability over certain items (i.e., items acquired through grant contracts).
- The County Departments will maintain an inventory of *theft sensitive* items (i.e., computers, laptops, monitors).
- The County Departments will maintain an inventory of items that require special attention to protect public safety and avoid potential liability (i.e., Sheriff's or Airport firearms).
- Internal control procedures should be formally documented and reviewed periodically.
- An accounting procedures manual will be maintained and updated on a continuing basis.

Amending the Budget

A budget amendment will increase or decrease budget appropriations adopted by the Board of County Commissioners. Budget appropriations may be adjusted due to the following:

- Appropriation Transfers – the transfer of appropriated budget from one or more spending agencies in a fund to one or more spending agencies in another fund or between spending agencies within a fund (C.R.S. 29-1-109 1a).
    - Used when a unit is identified as having insufficient budget dollars while at the same time another appropriation unit is identified as having an excess budget.
- Supplemental Appropriations – if, during the fiscal year, unanticipated revenues that were not assured at the time of the adoption of the budget from any source other than the local government property tax mill levy are received or if the beginning fund balance is in excess of the budgeted fund balance, the result is additional available revenues (C.R.S. 29-1-109 1b).
    - Used when a policy, law, statute, or court ruling becomes effective which mandates expenditures that were not anticipated or budgeted.
    - Used when an expenditure item is essential to the operation of a County office or department that was neither anticipated nor budgeted.
    - Used when revenue is received and designated for a particular purpose that was neither anticipated nor budgeted.

- Budgetary Decreases – if revenues are lower than anticipated in the adopted budget (C.R.S. 29-1-109 1c).
    - Used when the projected revenue shortfall is large enough that it would cause a shortfall for a fund or for a program dependent upon it.

These policies will be evaluated annually and updated periodically, no less than once every three years.