Administration Building
West Hearing Room
5334 S. Prince St.
Littleton, CO 80120
303-795-4630
Relay Colorado 711
303-795-4630 Audio Agenda Line

Nancy A. Doty, Chair, District 1
Nancy Sharpe, District 2
Rod Bockenfeld, District 3
Nancy Jackson, Chair Pro-Tem, District 4
Bill Holen, District 5

Study Session

September 13, 2016

The Arapahoe County Board of County Commissioners typically holds weekly Study Sessions on Monday and Tuesday. Study Sessions (except for Executive Sessions) are open to the public and items for discussion are included on this agenda. Agendas (except for Executive Sessions agendas) are available through the Commissioners' Office or through the County's web site at www.arapahoegov.com. Please note that the Board may discuss any topic relevant to County business, whether or not the topic has been specifically noticed on this agenda. In particular, the Board typically schedules time each Monday under "Committee Updates" to discuss a wide range of topics. In addition, the Board may alter the times of the meetings throughout the day, or cancel or reschedule noticed meetings. Questions about this agenda? Contact the Commissioners' Office at 303-795-4630 or by e-mail at commissioners@arapahoegov.com

Study Session Topics

10:30 A.M. *Updated Budgetary Financial Policies (WHR)
Discussion and review of the proposed updated budgetary financial policies

Request: Information/Direction

Todd Weaver, Budget Manager, Finance
Janet Kennedy, Director, Finance
John Christofferson, Deputy County Attorney

Documents:

BSR_SS_FINANCIAL POLICIES.PDF

*** To Be Recorded As Required By Law**
WHR - West Hearing Room

Arapahoe County is committed to making its public meetings accessible to persons with disabilities. Assisted listening devices are available. Ask any staff member and we will provide one for you. If you need special accommodations, contact the Commissioners' Office at 303-795-4630 or Relay Colorado 711.

Please contact our office at least 3 days in advance to make arrangements.

ARAPAHOE COUNTY
COLORADO'S FIRST

Board Summary Report

Date: **September 1, 2016**

To: **Board of County Commissioners**

From: **Todd Weaver, Budget Manager**

Subject: **Review of Updated Budgetary Financial Policies**

Request and Recommendation

The purpose of this study session is to review and discuss the updated budgetary financial policies for the County. The current policies are extremely out of date and do not reflect the current budget process or practices. These policies do not fundamentally change anything about the current budget process but does provide a policy to explain the current process. It is our desire that the Board review these policies and approve them so that the current budget practices and processes can be solidified into strong financial policies that are useful to the County and the staff that work within the budget process.

Background

The Budget Division has taken the existing but outdated financial policies that relate to the County's budget process and has updated them to reflect the current philosophies, policies, and practices in place now. The existing policies dated back to the late 1990's and refer to departments or divisions within departments that no longer exist and do not accurately reflect how the County develops and amends its budget.

The newly revised policies incorporate an easier to understand format and include sections outlining the policy's authority, purpose and scope, key definitions, as well as related documents and procedures that apply to the policy. This should make it easier for people to read and understand the concepts and reasoning behind budget policies and be able to follow and implement best practices. There is nothing in these revised policies that fundamentally changes any of the current budget preparation, development, adoption or amendment practice or philosophy. More specific procedures on how some of the policies will be implemented during the budget year will be separate from the main policy draft to enable them to change with technology and specific circumstances for a given budget year.

We are requesting your review and adoption of these updated budget financial policies. Finance Department Director Janet Kennedy and the Executive Budget Committee have reviewed these policies and have approved them to move forward for your review and approval. The policies were also discussed with the E-Team at their August 24th meeting.

Links to Align Arapahoe

Having current and well written financial policies are important for the County as they help institutionalize and clarify the intent of good financial management practices, manage risks to financial sustainability, define the boundaries and limits for budgetary actions, and support several of the County's Align Arapahoe result measures for Fiscal Responsibility of maintaining a structurally balanced budget and maintaining or improving the County's bond rating in pursuit of the efficient use of taxpayers' dollars.

Discussion

The Finance Department and the Budget Division will be in attendance at the study session on September 13th to address any questions or concerns that you may have regarding the attached proposed policies.

The policies to be discussed in this study session include: the Financial Reserve, Budget Preparation and Control, Staffing Authorization, Budget Amendment, Reappropriation, Executive Budget Committee, Capital Improvement Program, and the Capital Asset Budget policies. A very brief summary of each policy is below, but the full text of the policies are attached.

The Financial Reserve Policy establishes financial reserves for specific funds and provides the rationale for why having financial reserves are a good practice. It explains the process for determining the amount of the financial reserves and how they should be used. There are no changes in the current specific reserve requirements.

The Budget Preparation and Control policy lays out the requirements for the development of the County's annual budget including defining a balanced budget, explaining legal requirements, the process for the development and review of the budget, and the level of budgetary control for departments and elected offices.

The Staffing Authorization policy establishes how the authorized staffing level for each department or elected office can be modified both within the budget development process and through a budget supplemental process.

The Budget Amendment policy describes the process and use of the quarterly budget reviews and details the process for requesting budget amendments and/or supplemental appropriation requests along with the responsibilities of those involved in the budget amendment/quarterly review process.

The Reappropriation policy explains the purpose of reappropriation as well as what items are eligible and which are not. This policy and process is very similar to the current policy for reappropriaiton with no significant changes or additions.

The Executive Budget Committee (EBC) policy details the purpose of the EBC as an advisory body to assist the BOCC in the development and modification of the annual budget. This policy was originally adopted in 2007 but has been updated to fit the new format with no significant changes to the content of the policy.

The Capital Improvement Program policy is one that underwent a significant number of updates and changes. Over the past couple of years the CIP Committee has revamped and modified the

Capital Improvement Program development and review process and the existing policy did not reflect any of this. The updated policy now reflects the current practices around the Capital Improvement Program, its length, the establishment of a CIP Committee and its role, and the BOCC adoption of the first year of the plan. Also included in this policy is the explanation of which funds house capital projects, the capital projects mill levy, and the roles and responsibilities of those involved with the Capital Improvement Program.

Finally, the Capital Asset Budget policy explains what a capital asset, formerly known as a fixed asset, is and provides the process for how capital assets are budgeted and their future replacement funded via intergovernmental rents. This policy clarifies what costs are included in a capital asset along with how requesting departments and offices should work with the applicable support departments, how these capital assets impact reappropriation, and what happens if a replacement asset no longer meets the capitalization threshold.

The Finance Department is working on updating a number of other financial policies regarding accounting and purchasing and these will be brought forward to the Board in the near future.

Alternatives

The Board could choose to remain with the existing budget policies or request modifications to the proposed policies.

Fiscal Impact

These policies guide how the County develops, reviews, and modifies its budget but does not have a direct financial impact.

Reviewed By:

Janet Kennedy, Finance Director
John Christofferson, Deputy County Attorney

Arapahoe County
Finance Department

Financial Reserve Policy

Policy No.: 2.1

Version: 1.0

Resolution No.: 16XXXX

Effective Date: 12/31/2016

I. Authority:

The Board of County Commissioners has exclusive power to adopt the annual budget for the operation of county government, including all offices, departments, boards, commissions or other spending agencies of the county government, and other agencies which are funded in whole or part by county appropriations, per statute. This includes the approval of financial policies which establish and direct the budget process of Arapahoe County. The Finance Department is responsible for carrying out the policy directives of the Board of County Commissioners and establishing the necessary procedures to do so. In addition, the specific financial reserve requirements of Article X - Revenue, Section 20 of the Colorado Constitution apply to this policy.

II. Purpose and Scope:

There are numerous beneficial reasons for establishing financial reserve policies along with statutory and Constitutional requirements for such reserves.

A. The establishment of a financial reserve policy for the County provides for:

1. Compliance with statutory and Constitutional requirements for financial reserves.
2. Planning for contingencies in response to volatile revenues or unexpected expenditures for items such as weather events, volatility in energy costs, or unanticipated expenditures as a result of legislation by the State or Federal government.
3. Flexibility in options to address financial issues that may arise without reducing service levels or raising taxes or fees.
4. Maintaining positive ratings with bond rating agencies that look at financial reserves as an indicator of the County's fiscal condition, creditworthiness, and the ability to pay debt obligations.
5. Ensuring the availability of funds for necessary expenses when revenues are unavailable due to variances in the timing of revenue collections.
6. Avoiding interest expenses for operating and capital project funding needs by using financial reserves rather than financing with debt.
7. Investment of available fund balance provides additional revenue to the County as the funds can yield returns while being held as a financial reserve.
8. Is consistent with the County's goal of fiscal responsibility and for the responsible use of taxpayer money.

The scope of this policy applies specifically to those funds for which the Board of County Commissioners has established a financial reserve.

III. Definitions:

A. <u>Fund:</u> A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions, or limitations.
B. <u>Fund Balance:</u> The balance of total resources available for subsequent years' budgets consistent with the basis of accounting elected for budget purposes.
C. <u>Operating Budget:</u> The sum total of expenditures for the routine day-to-day operations that provide basic services such as personnel, supplies, contract services and other recurring items but that excludes capital costs and expenditures made for a one-time purpose.
D. <u>TABOR:</u> Refers to the Taxpayer's Bill of Rights in Section 20 of Article X of the Colorado Constitution.

IV. Policy:

It shall be the policy of Arapahoe County to maintain a satisfactory level of financial reserves in order to continually ensure a strong financial position within the County, to conform to statutory and other legal requirements, including the Taxpayer's Bill of Rights (TABOR), as well as to adhere to recognized government finance best practices. This policy details the purpose, establishment, maintenance, and guidelines for use of financial reserves for the County.

A. <u>Factors in Determining the Amount to be Held in Reserve</u>
   1. Any applicable statutory, Constitutional, or legal requirements,
   2. The predictability and/or volatility of revenues and expenditures,
   3. The availability of resources across all County funds,
   4. The liquidity of funds,
   5. The current amount of funds already designated for other purposes, and
   6. The policy priorities and preferences of the County and the Board of County Commissioners.
B. <u>Reserve Requirements under the Taxpayer's Bill of Rights</u>
   1. The Taxpayer's Bill of Rights (TABOR) specifies that local governments shall reserve three (3) percent or more of its fiscal year spending excluding bonded debt service for use for declared emergencies only.
   2. TABOR restricts the emergency use of this emergency reserve to exclude "economic conditions, revenue shortfalls or district salary or fringe benefit increases."
   3. TABOR does not, however, restrict the use of fund balance reserves that exceed the required 3 percent, nor does it specify what constitutes an "emergency" with respect to the use of the required TABOR fund balance reserve.
C. <u>Establishing Financial Reserves</u>

1. The Board of County Commissioners shall approve by resolution, the amounts to be established as financial reserves for the current fiscal year by fund as specified in this policy.
2. The Finance Department shall calculate the amount of the financial reserves as defined in this policy, including both the financial reserves stipulated by this policy and estimates of the emergency reserves required under the Taxpayer's Bill of Rights.

D. Financial Reserves

1. General Fund:
    a) A financial reserve of no less than 11 percent of the current year's total initial adopted General Fund operating budget shall be established each year by Board of County Commissioner resolution.
    b) The 3 percent emergency reserve amount required by the Taxpayer's Bill of Rights for all of County government and the accrued vacation/sick leave liability shall be part of this 11 percent reserve.
2. Social Services Fund:
    a) A financial reserve of the County’s portion of one-sixth of the current year’s total initial adopted Social Services Fund operating budget shall be established each year by the Board of County Commissioners as the minimum financial reserve balance.
    b) The County’s portion of the total adopted operating budget shall be approximated at 20 percent of the total based upon the County funding requirements for State and Federal social service programs.
    c) The Social Services Fund accrued vacation/sick leave liability shall be part of this financial reserve.
3. Road and Bridge Fund:
    a) A financial reserve of one-sixth, or 16.67 percent, of the current year’s total initial adopted Road & Bridge Fund operating budget shall be established each year by the Board of County Commissioners as the minimum financial reserve balance.
    b) The Road & Bridge Fund accrued vacation/sick leave liability will be a part of this one-sixth reserve.
4. Arapahoe Law Enforcement Authority Fund:
    a) A financial reserve of one-sixth, or 16.67 percent, of the current year's initial adopted Law Enforcement Authority operating budget shall be established each year by the Board of County Commissioners as the minimum financial reserve balance.
    b) TABOR stipulates that separate authorities within the County maintain their own TABOR reserve. Therefore, the required TABOR 3 percent emergency reserve shall be included as part of this established financial reserve.
    c) The Law Enforcement Authority Fund accrued vacation/sick leave liability will also be part of this financial reserve.
5. Arapahoe County Recreation District Fund:
    a) TABOR stipulates that separate authorities within the County maintain their own TABOR reserve.

b) A financial reserve shall be established each year by the Board of County Commissioners that is a minimum of the required TABOR 3 percent emergency reserve.

6. Other Financial Reserves:
   a) Financial Reserves for Debt Service
      (1) Financial reserves shall be established and maintained for debt obligations as provided for in the bond or lease documents within the specific debt service fund.
   b) Other
      (1) Other financial reserves may be established for other purposes in these or other funds either by:
         (a) Amendment of this policy by Board of County Commissioner action,
         (b) The establishment of a financial reserve in the specific policy for that fund, or
         (c) Board of County Commissioner action.

E. Use and Maintenance of Financial Reserves

1. Use:
   a) The Board of County Commissioners may exercise discretion in the way that financial reserves and unassigned fund balances are used to the extent that it does not violate any statute or Constitutional requirement.
   b) Regarding the utilization of financial reserves and unassigned fund balances, these funds may be appropriated and expended to address:
      (1) Temporary cash flow shortages,
      (2) Unanticipated economic or revenue downturns,
      (3) Meeting current or future capital needs,
      (4) Providing for unanticipated expenditures,
      (5) Flexibility to take advantage of unexpected opportunities, or
      (6) Providing funds to respond to emergency situations.
   c) The aforementioned uses are limited to the financial reserve amounts that are not specifically the 3 percent emergency reserve required by the provisions of the Taxpayer's Bill of Rights or by other statutory limitations.
   d) It shall be the policy of the County to avoid the use of financial reserves or unassigned fund balances for ongoing operating expenses other than to respond to a temporary condition or situation.
2. Maintenance:
   a) The Finance Department shall be responsible for the preparation and notification to the Board of County Commissioners of the status of financial reserves and estimated fund balances on a quarterly basis, noting any exceptions to the levels as defined in this policy.
   b) It shall be the policy of the County to maintain financial reserves at or above the amounts set forth in this policy.
   c) In the event that a portion of a financial reserve is used, it shall be replenished to the amount set forth in this policy as soon as practical depending on the circumstances of its use.

V. Related Documents and Procedures:

Colorado Constitution – Article X, Revenue Section 20 – The Taxpayer's Bill of Rights

This policy supersedes and replaces the General Fund and Mill Levy Fund Reserve Policy 3.6 dated 5/99.

Arapahoe County
Finance Department

Budget Preparation and Control Policy

Policy No.: 3.1

Version: 0.0

Resolution No.: 16XXXX

Effective Date: 12/31/2016

I. Authority:

The Board of County Commissioners has exclusive power to adopt the annual budget for the operation of county government, including all offices, departments, boards, commissions or other spending agencies of the county government, and other agencies which are funded in whole or part by county appropriations, per statute. This includes the approval of financial policies which establish and direct the budget process of Arapahoe County. The Finance Department is responsible for carrying out the policy directives of the Board of County Commissioners and establishing the necessary procedures to do so.

II. Purpose and Scope:

This policy guides the requirements for the annual budget development process for all funds, departments, and elected offices of the County. Colorado statute requires local governments to prepare and adopt an annual budget, and it also specifies the information that the budget is required to include (29-1-101 through 115, C.R.S.). The Board of County Commissioners is responsible for the annual adoption and appropriation of the budget in accordance with these statutory requirements. The scope of this policy extends to all funds, elected offices, and departments for the County and to the related districts and authorities under the purview of the Board of County Commissioners to include the Law Enforcement Authority, Recreation District, and the Arapahoe County Water and Wastewater Public Improvement District.

III. Definitions:

A. Adopted Budget Resolutions: The set of resolutions approved by the Board of County Commissioners that adopts the revenues and expenditures and appropriates funds for the budget year including resolutions certifying applicable mill levies.
B. Appropriation: The authorization by ordinance or resolution of a spending limit for expenditures and obligations for specific purposes.
C. Balanced Budget: Per statute, a budget cannot provide for expenditures in excess of available revenues and beginning fund balances.
D. Budget: The complete, estimated financial plan of the County.
E. Capital Improvement Program: The proposed plan for capital projects that is developed and updated to reflect the estimated amount of capital expenditures to be incurred each year over a five-year period as well as the anticipated revenues to finance those capital projects.
F. Executive Budget Committee: A committee that is appointed and tasked with the detailed review of the annual requested budget, supplemental budget requests, the annual reappropriation of funds, and other financial matters as identified by the Board of County Commissioners.

G. Expenditure: Any use of financial resources for the provision or acquisition of goods and services for operations, debt service, capital outlay, transfers, or other financial uses.
H. Fiscal Year: For the County, the period commencing January 1st and ending December 31st.
I. Full Accrual Basis of Accounting: The basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, notwithstanding that the receipt of revenue or the payment of the expense may take place in whole or in part, in another accounting period.
J. Fund: A fiscal and accounting entity with a self-balancing set of accounts in which ash and other financial resources, all related liabilities and residual equities, or balances, and changes therein are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions, or limitations.
K. Fund Balance: The balance of total resources available for subsequent years' budgets consistent with the basis of accounting elected for budget purposes.
L. Level of Control: The lowest level of budgetary detail at which a department or elected office many reassign resources without the approval of the Board of County Commissioners through a supplemental appropriation resolution.
M. Local Government Budget Law: The Colorado Revised Statutes (Section 29-1-101 through 29-1-115, C.R.S.) that provide the budgetary requirements for local governments.
N. Modified Accrual Basis of Accounting: Basis of accounting that recognizes revenues when they become available and measurable and, with a few exceptions, recognizes expenditures when liabilities are incurred.
O. Operating Expenditure: Expenditures for the routine day-to-day operations that provide basic services such as personnel, supplies, contract services and other recurring items but that excludes capital costs and expenditures made for a one-time purpose.
P. Operating Revenue: Revenues from regular, recurring sources such as taxes, fees, fines, permits, charges for services and similar sources that are reasonably expected to continue and excludes proceeds from long-term debt and other one-time non-recurring financial sources.
Q. Reappropriation: The re-appropriation of funds through a supplemental appropriation in the current fiscal year to allow for further expenditures when planned expenditures of an existing appropriation cannot be completed by the end of the prior fiscal year for that same purpose.
R. Recommended Budget: The proposed preliminary budget for the ensuing fiscal year that is presented to the Board of County Commissioners prior to October 15th each year.
S. Revenue: A resource available to finance expenditures.
T. Structurally Balanced Budget: A budget where ongoing operating revenues meet or exceed ongoing operating expenditures.
U. Supplemental Appropriation: An appropriation when there is a need to transfer budgeted and appropriated monies from one or more spending agencies in a fund to one or more spending agencies in another fund, or to transfer budgeted and appropriated monies between spending agencies within a fund, or if, during the fiscal

year, the governing body or any spending agency of such local government received unanticipated revenue or revenues not assured at the time of the adoption of the budget.

IV. Policy:

The following sections provide the policies for the preparation, review, and adoption of the County's annual budget along with policies regarding the basis of accounting for budget purposes, budgetary control and monitoring, and the responsibilities of the key parties involved in the budget process.

A. Basis of Budgeting
   1. The basis of accounting refers to the specific time at which revenues and expenditures are recognized in accounts and reported in financial statements.
   2. Basis of Accounting
      a) Governmental Funds: Use the modified accrual basis of accounting
      b) Proprietary Funds: Use the full accrual basis of accounting
   3. Budgetary Basis of Accounting
      a) The main difference between the basis of accounting used for accounting purposes and the basis of accounting for budget purposes is that the budgets for the proprietary funds (the Central Services Fund, the Flexible Benefit Fund, the Self Insurance Dental Fund, and the Worker's Compensation Fund) are prepared on a cash basis.
      b) According to the cash basis of accounting, capital expenditures and the redemption of bonds and leases are recorded as expenditures and depreciation and amortization costs are not budgeted since these costs are non-cash transactions.
      c) The budget for all other funds is prepared on a modified accrual basis.

B. Budgetary Control
   1. Statutory Requirements
      a) Pursuant to Section 29-1-110, C.R.S., a department or elected office may not expend, or contract to expend, monies in excess of the amount appropriated. This restriction applies to both the expenditures of monies by fund and by department or elected office depending upon how the Board appropriates funds in the annual adoption resolutions.
   2. Level of Control
      a) The budgetary level of control will correspond to the appropriations made by the Board of County Commissioners by fund and department/elected office within the annual adopted budget resolutions.
      b) Within the General Fund:
         (1) At the appropriation amount for the department/elected office.
      c) Funds other than the General Fund:
         (1) At the appropriation amount for the fund.
      d) Responsibility for budget and appropriations:

(1) Pursuant to statute, the Board of County Commissioners is responsible for ensuring that the annual appropriation is not exceeded.
(2) The Board of County Commissioners delegates to department directors and elected officials the authority to be responsible for their budgets and appropriations as defined by the above limits on the level of control and appropriations.
(3) As the budget is not appropriated by line item, departments and elected offices are permitted to make adjustments and modifications to their budget within these levels of control to the extent that it does not violate any other policy or procedure or require a supplemental appropriation per the Budget Amendment policy.

3. Monitoring of County Budgetary and Fiscal Condition
    a) It shall be the policy of the County to continuously monitor the budget and fiscal status in order to assess financial condition and demonstrate fiscal responsibility.
    b) The Budget Division shall be responsible for and coordinate periodic reviews of the budget, actual revenue collections and expenditures, and identification of possible budget amendments per the Budget Amendment policy with specific regard to the quarterly budget reviews.
    c) It is the responsibility of the departments and elected offices to review and analyze revenue and expenditure data to identify trends and variables that might affect their operations or the ability to remain within their appropriation limit.

C. <u>Balanced Budget</u>
1. Statutory Definition
    a) Per Section 29-1-103, C.R.S., no local government budget shall provide for expenditures in excess of available revenues and beginning fund balances.
2. Structurally Balanced Budget
    a) It is the desire of the Board of County Commissioners to ensure that the General Fund operating budget is structurally balanced on adoption.
    b) A structurally balanced budget is a budget where ongoing operating revenues meet or exceed ongoing operating expenditures.

D. <u>Budget Calendar</u>
1. Fiscal Year - The County operates on an annual fiscal year of January 1st through December 31st.
2. Deadline for the Recommended Budget:
    a) The Recommended Budget shall be submitted to the Board of County Commissioners no later than October 15 each year.
    b) The Recommended Budget submitted shall meet or exceed the statutory requirements for the budget estimates in Section 29-1-105, C.R.S.
3. Deadline for the Adopted Budget:

a) The budget for the ensuing fiscal year shall be adopted and appropriated no later than December 15 each year per the requirements of Section 29-1-108, C.R.S. and Section 39-5-128, C.R.S.

4. Detailed Calendar for Budget Development Process and Procedures
    a) At the direction of the Board of County Commissioners, the Budget Division of the Finance Department will prepare and distribute a detailed calendar, guidance, and instructions for the development of the upcoming fiscal year's budget.
    b) The specific processes and dates for the submission and review of the budget will follow applicable Board approved policies and the procedures developed by the Budget Division.

E. <u>Development of the Budget</u>

1. Statutory and Constitutional Requirements
    a) Colorado statute requires local governments to prepare and adopt an annual budget, and it also specifies the information that the budget is required to include (see Sections 29-1-101 through 115, C.R.S. also known as the Local Government Budget Law of Colorado).
    b) The Local Government Budget Law also requires that counties annually prepare and submit a balanced budget. Pursuant to Section 29-1-103 (2), C.R.S., a balanced budget is one in which the expenditures do not exceed the combination of available revenue and beginning fund balances.
    c) The Local Government Budget Law requires local governments to prepare and adopt an annual budget that includes:
        (1) A written budget message that describes the important features of the proposed budget and a description of the services to be delivered during the budget year;
        (2) All proposed expenditures for administration, operations, maintenance, debt service, and capital projects for the budget year;
        (3) Anticipated revenues, including the revenue source;
        (4) Estimated beginning and ending fund balances;
        (5) Actual expenditures for the prior fiscal year and estimates projected through the end of the current fiscal year;
        (6) Expenditures classified by object and the revenues by source; and
        (7) The amount to be expended during the upcoming fiscal year for all capital leases, including real property and non-property, as well as the total maximum payment liability for such leases.
    d) The budget is a fiscal plan for the coming year, and an appropriation is the legal authority to spend the funds.
    e) The Board of County Commissioners appropriates money either by fund source or by the department or elected office within a fund (Section 29-1-108 (2), C.R.S.).
    f) The Local Government Budget Law requires the proposed budget to be submitted to the Board by October 15th of each year.

g) Taxpayer's Bill of Rights:
   (1) The Taxpayer's Bill of Rights (TABOR), which is included in Article X, Section 20 of the Colorado Constitution, has a significant impact on a local government's budgeting process and requirements.
   (2) It limits the amount of property tax revenue that the County may collect, and also requires that a certain percentage of fund balance must be dedicated for an emergency reserve.
   (3) TABOR also prohibits the Board of County Commissioners from increasing the mill levy or imposing any other form of tax without voter approval.
   (4) A local government may obtain voter approval to exempt itself from certain TABOR restrictions.
   (5) Arapahoe County is exempt from TABOR for all non-tax revenues per a 1995 voter approved ballot measure.
   (6) Arapahoe County voters also exempted the Open Space Sales and Use Tax as well as the Arapahoe Law Enforcement Authority from the limitations of TABOR as well.

h) The contents of the budget and budget format shall be in accordance with applicable Constitutional and statutory requirements.

2. Budget Guidance
   a) The Board of County Commissioners, with the assistance of the Executive Budget Committee, shall develop the budget and policy priorities for the upcoming fiscal year and include them in the budget guidance.
   b) The budget guidance will include the County goals, policy and performance objectives of the Board, and may also include specific requests or requirements that are to be incorporated in all budget submissions.
   c) This information is compiled in a memorandum that is distributed to all departments and elected offices prior to the budget submission period.
   d) The memo shall serve as direction and guidance for how a department or elected office should modify its forecasting and planning and prepare their budget request.
3. Budget Process and Procedures
   a) The Board of County Commissioners, with the assistance of the Executive Budget Committee, shall determine the specific process for the development of the annual budget each year.
   b) Communication of the specific budget process to all of the departments and elected offices involved in the budget process is delegated by the Board of County Commissioners to the Executive Budget Committee and/or the Budget Division of the Finance Department.
   c) It shall be the responsibility of the Executive Budget Committee and the Budget Division to develop and communicate relevant procedures for the development of the annual budget.

d) Elected offices and departments shall develop and submit their budget requests and information in accordance with the applicable budget development process and procedures set forth for that budget year.

F. Review and Adoption of the Budget

1. Following the submission of department and elected office budget requests, the Budget Division will review and consolidate all submissions and prepare materials for the Executive Budget Committee for their review.
2. Executive Budget Committee Review
    a) Reviews all budget requests per the Executive Budget Committee policy.
    b) Meet with departments and elected offices to discuss their budget requests prior to developing the recommended budget.
    c) Develop the annual recommended budget for review by the Board of County Commissioners.
3. Recommended Budget
    a) Shall be presented to the Board of County Commissioners no later than October 15th.
    b) Shall include the following information, per Section 29-1-105, C.R.S.:
        (1) Budget estimates of expenditure requirements and estimated revenues for the budget year,
        (2) Actual figures for the last completed fiscal year,
        (3) Estimated figures through the end of the current fiscal year,
        (4) Explanatory schedule or statement classifying the expenditures by object and the revenues by source, and
        (5) The amount to be expended during the upcoming fiscal year for all capital leases, including real property and non-property, as well as the total maximum payment liability for such leases.
    c) The recommended budget should also include the recommendations of the Executive Budget Committee for the budget year with information regarding the budget requests that were recommended for adoption and those that were not.
4. Adoption and Appropriation of the Budget
    a) Following the submission of the recommended budget, the Board of County Commissioners shall cause to be published a notice of when the budget will be considered for adoption, where a copy of the budget will be available for inspection, and other requirements pursuant to Section 29-1-106, C.R.S.
    b) The Board of County Commissioners may review and direct the modification of the recommended budget prior to consideration for adoption.
    c) The adoption of the budget shall be guided by the requirements of Section 29-1-108, C.R.S. and occur no later than December 15th each year if a mill levy is to be certified.
    d) The adoption of the budget, the appropriation of funds, and certification of mill levy shall be effective upon adoption by the Board of County Commissioners and available for department and elected office spending on January 1st of that budget year.

e) All unexpended appropriations expire at the end of the fiscal year.

5. Amendments to the Budget
   a) If, following the adoption of the budget, there is a need to amend the adopted budget, such an amendment shall follow the approved Budget Amendment policy and procedures set forth by the Budget Division.

G. <u>Responsibilities</u>

1. Board of County Commissioners
   a) Develop, with the assistance of the Executive Budget Committee, the budget and policy priorities for the upcoming fiscal year and include them in the budget guidance.
   b) Determine, with the assistance of the Executive Budget Committee, the specific process for the development of the annual budget each year and delegate the authority to the Executive Budget Committee and Budget Division to implement procedures to carry out such a process.
   c) Publish notice of when the budget will be considered for adoption at a public hearing, where a copy of the budget will be available for inspection, and other requirements pursuant to Section 29-1-106, C.R.S.
   d) Review and modify the recommended budget in preparation for adoption and appropriation.
   e) Adopt and appropriate the annual operating and capital budget for the County and applicable district and authorities prior to December 15th that is in compliance with all relevant budgetary statutory and Constitutional requirements.
2. Executive Budget Committee
   a) Assist the Board of County Commissioners with the development and distribution of the annual budget guidance.
   b) Review and recommend to the Board of County Commissioners the proposed operating and capital budget for the ensuing fiscal year per the responsibilities outlined in the Executive Budget Committee policy.
3. Departments and Elected Offices
   a) Consider prior trends in revenue collections and expenditures and forecast the revenue collections and expenditure needs for the upcoming budget year,
   b) Comply with the approved policies and established guidelines, instructions, and procedures to prepare and submit their annual budget requests,
   c) Following budget adoption, to review and analyze revenue and expenditure data to identify trends and variables that might affect their operations or the ability to remain within their appropriation limit.
   d) Make necessary adjustments to their budget within the applicable level of budgetary control and/or request budget amendments or supplemental appropriations through the appropriate policy and process.
4. Budget Division

a) Per Board of County Commissioner direction, lead the process and develop procedures for the development of the County's annual budget,
b) Assisting departments and elected offices in the preparation and submission of their budget requests,
c) Compile, review, and analyze all budget requests into the necessary format, materials, and documents for review by the Executive Budget Committee, Board of County Commissioners, and others,
d) Assist the Executive Budget Committee and the Board of County Commissioners with review and analysis of the County's fiscal condition and budget requests,
e) Publish and present the recommended and adopted budgets for required public meetings as well as prepare adoption and appropriation resolutions,
f) Ensure the contents of the budget and budget format are in accordance with applicable Constitutional and statutory requirements,
g) Upon adoption and appropriation of the budget, notify and submit the budget to the Division of Local Government in the Department of Local Affairs, and
h) Provide any other assistance or analysis regarding the County's annual budget as directed by the Board of County Commissioners and/or Executive Budget Committee.
i) Continuously monitor the budget and fiscal status in order to assess financial condition and demonstrate fiscal responsibility.
j) Coordinate periodic reviews of the budget, actual revenue collections and expenditures, and identification of possible budget amendments per the Budget Amendment policy with specific regard to the quarterly budget reviews.

V. Related Documents and Procedures:

A. Budget Development Procedures
B. Colorado Revised Statutes
   1. Local Government Budget Law: Section 29-1-101 to 29-1-115, C.R.S.
   2. Changes to Budget: Section 29-1-109, C.R.S.
   3. Expenditures not to Exceed Appropriations: Section 29-1-110 C.R.S.
   4. Powers of the Board: Section 30-11-107, C.R.S.
C. Executive Budget Committee Policy
D. Budget Amendment Policy
E. Financial Reserves Policy
F. Capital Improvement Program Policy

This policy supersedes and replaces the Budget Preparation and Planning Policy 3.1, Budgetary Fiscal Controls Policy 3.2, and Budgetary Fiscal Implementation Policy 3.3, all dated 10/98.

Arapahoe County
Finance Department

Staffing Authorization Policy

Policy No.: 3.2

Version: 1.0

Resolution No.: 16XXXX

Effective Date: 12/31/2016

I. Authority:

The Board of County Commissioners has exclusive power to adopt the annual budget for the operation of county government, including all offices, departments, boards, commissions or other spending agencies of the county government, and other agencies which are funded in whole or part by county appropriations, per statute. For authorized staffing levels, such authority is also derived from the annual budget adoption resolution. This authority includes the approval of financial policies which establish and direct the budget process of Arapahoe County. The Finance Department is responsible for carrying out the policy directives of the Board of County Commissioners and establishing the necessary procedures to do so.

II. Purpose and Scope:

The number of authorized positions is a major factor in determining the County's annual budget, specifically personnel costs and facility costs to house them. The County's annual budget adoption resolution authorizes a specific number of full-time equivalent (FTE) positions by department or elected office, as well as by fund.

The Board of County Commissioners must formally approve any changes to a department's or elected office's authorized number of FTE or the number of FTE for any given fund. Therefore, any changes to a department's or elected office's staffing level must be submitted during the annual budget development cycle or through the quarterly supplemental budget amendment process.

The scope of this policy includes requests to change the authorized staffing level that would change the authorized staffing allocations laid out in the budget adoption resolutions. Such a change includes both an increase and decrease to an authorized staffing level.

III. Definitions:

A. <u>Authorized Position:</u> A position (job) authorized by the Board of County Commissioners as part of the annual adopted budget.
B. <u>Authorized Staffing Level:</u> The total number of positions authorized by the Board of County Commissioners as part of the annual adopted budget by department and elected office within each fund.
C. <u>Full-Time Equivalent (FTE):</u> The value based on the number of hours per week an employee works. An employee who works 40 hours per week is considered as one (1) full-time equivalent, or FTE, whereas an employee who works 20 hours per week is 0.50 FTE, or one-half of one FTE.
D. <u>Full-Time Staff:</u> A full-time employee is one who is assigned to a position which requires 40 hours of work per week.

E. Fund: A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions, or limitations.

F. Part-Time Staff: A part-time employee is one who is assigned to a position which regularly works fewer than 40 hours per week.

G. Temporary Staff: A temporary employee is assigned work for a temporary period of time or the length of a clearly defined project, and is paid on an hourly basis.

IV. Policy:

The County's annual budget adoption resolution authorizes a specific number of full-time equivalent (FTE) positions by department or elected office, as well as by fund. The total authorized staffing level includes all regular part- and full-time positions within the County. Any change to the authorized staffing level, whether it is an increase, decrease, or transfer between departments/elected offices or funds, requires formal approval by the Board of County Commissioners and shall follow the policies outlined below.

A. Changes During the Budget Development Process

1. It is preferred that changes in the authorized staffing level occur during the annual budget development process and are submitted as part of the department's or elected office's budget request for the upcoming year.
2. This allows the adopted budget for the upcoming fiscal year to plan for and reflect the cost, or savings, from changes to staffing levels.
3. Requests for changes in the authorized staffing level shall be reviewed with the Human Resources Department to evaluate and/or create the position, job code, position description, and classification.
    a) Reductions or transfers of authorized staff may not require this step.
4. The submission of the request shall follow the applicable policies and procedures established for the development of the annual budget.
5. The change in the authorized staffing level for a department or elected office will be effective as of the beginning of the fiscal year following the adoption of the annual budget by the Board of County Commissioners.

B. Changes Outside of the Budget Development Process

1. Any change that occurs outside of the annual budget development process must be submitted as a budget amendment per the applicable policy and process.
2. The request includes the change in authorized staffing level and the applicable increase or decrease in costs related to the request.
3. Requests for changes in the authorized staffing level shall be reviewed with the Human Resources Department to evaluate and/or create the position, job code, position description, and classification.
    a) Reductions or transfers of authorized staff may not require this step.
4. The change in the authorized staffing level for a department or elected office will be effective as of the date of the adoption of the budget amendment resolution by the Board of County Commissioners.

C. Temporary Positions

  1. Temporary positions are not covered under this policy as they are not included in the authorized staffing level of the department or elected office.
  2. Funding for temporary salaries may be included in the budget for the department or elected office and used for this purpose.
  3. The department or elected office should contact the Human Resources Department regarding the hiring of temporary employees.

D. Grant Funded Positions

  1. Grant funded positions are included in the number of the department or elected office's authorized staffing level and shall follow the policy and processes for authorized staffing.
  2. Once approved, a grant-funded position may be included in the budget only as long as the grant funds continue.
  3. This does not apply to temporary grant-funded employees with benefits as, even with the inclusion of benefits, this type of employee is considered a temporary employee and not an FTE, for the purposes of budgeting and the authorized staffing level.

E. Appropriations for Authorized Staffing Salaries and Benefits

  1. The Budget Division applies centralized calculations during the budget development process based on the actual current staffing level of the department or elected office.
  2. Departments and elected offices are not permitted to transfer funds to or from salary and benefit accounts for FTE in their authorized staffing level to other expenditure categories without approval from the Budget Division.

F. Exceptions

  1. If there is a change in staffing that does not impact a department or elected office's total appropriation or appropriation by fund, and it does not change the total number of authorized FTE, the Department of Human Resources shall have the discretion to approve such a change without seeking formal Board approval.

G. Responsibilities

  1. Budget Division
     a) Track and review the County's authorized staffing level and identify discrepancies between the data and the authorized staffing level approved by Board of County Commissioner resolution.
     b) Work with departments and elected offices and the Human Resources Department to resolve any identified discrepancies in the authorized staffing level.
     c) Review requests for authorized staffing level positions to determine the completeness and verify the fiscal impact of the request.
     d) Include requests in materials submitted for Executive Budget Committee and Board of County Commissioner review in both the formal budget development and amendment process.
     e) Inform the requesting department or elected office and the Human Resources Department of changes in the authorized staffing level adopted by resolutions of the Board of County Commissioners.
  2. Departments and Elected Offices

a) Monitor and submit the appropriate request to change the authorized staffing level.
b) It is the department's or elected office's responsibility to communicate with the Human Resources Department and the Budget Division about proposed changes in the authorized staffing level to ensure that the correct process is followed and that any changes are included in the appropriate budget process.
c) To notify the Budget Division if there is a change to a grant or a grant's revenue, so that staff can begin the process to adjust the staffing authorization accordingly.

3. Human Resources Department
   a) To assist departments and elected offices with the review of requests for changes in the authorized staffing level and to evaluate the need to create or change the position, job code, position description, and classification.

V. Related Documents and Procedures:

A. <u>Budget Adoption Resolutions</u>
B. <u>Budget Amendment Policy</u>
C. <u>Colorado Revised Statutes</u>
   1. Local Government Budget Law: Section 29-1-101 to 29-1-115, C.R.S.
   2. Powers of the Board: Section 30-11-107, C.R.S.

This policy supersedes and replaces the Staffing Authorization Policy 3.6 dated 10/98.

Arapahoe County
Finance Department

Budget Amendment Policy

Policy No.: 3.3
Version: 0.0
Resolution No.: 16XXXX
Effective Date: 12/31/2016

I. Authority:

The Board of County Commissioners has exclusive power to adopt the annual budget for the operation of county government, including all offices, departments, boards, commissions or other spending agencies of the county government, and other agencies which are funded in whole or part by county appropriations, per statute. This includes the approval of financial policies which establish and direct the budget process of Arapahoe County. The Finance Department is responsible for carrying out the policy directives of the Board of County Commissioners and establishing the necessary procedures to do so.

II. Purpose and Scope:

This policy guides the amendment of the County budget and appropriations. Pursuant to Section 29-1-109, C.R.S., if, after the adoption of the annual budget and appropriation, the Board of County Commissioners deems it necessary, it may transfer appropriated monies between funds or spending agencies within a fund, as determined by the original appropriation level, or increase the appropriation if unanticipated revenues, other than property taxes, are received by enacting a supplemental budget and appropriation. This policy also outlines how, after adoption of the annual budget, expenditures and revenues will be reviewed and budget amendments considered.

This policy is applicable to all funds and all departments and elected offices. The budget is appropriated in total amounts by fund and, within the General Fund, by department and elected office. Funds may not be transferred between departments or elected offices within the General Fund or between funds without Board consideration and approval by resolution at a public hearing consistent with Section 29-1-106, C.R.S.

III. Definitions:

A. <u>Appropriation:</u> The authorization by ordinance or resolution of a spending limit for expenditures and obligations for specific purposes.
B. <u>Budget:</u> The financial plan for the operation of a program, completion of a project, or the entire organization for the year.
C. <u>Budget Amendment:</u> Any requested change to the existing revenue or expenditure budget of a department, elected office, or fund regardless of whether such change requires a supplemental appropriation request.
D. <u>Capital Asset:</u> Equipment, computer equipment, computer software, vehicles and furniture with a unit cost of $5,000 or more. Does not include capital projects.
E. <u>Authorized Staffing Level:</u> The total number of positions authorized by the Board of County Commissioners as part of the annual adopted budget by department and elected office within each fund.

F. Fund: A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions, or limitations.

G. Fiscal Year: For the County, the period commencing January 1st and ending December 31st.

H. Supplemental appropriation: An appropriation when there is a need to transfer budgeted and appropriated monies from one or more spending agencies in a fund to one or more spending agencies in another fund, or to transfer budgeted and appropriated monies between spending agencies within a fund, or if, during the fiscal year, the governing body or any spending agency of such local government received unanticipated revenue or revenues not assured at the time of the adoption of the budget.

IV. Policy:

An amendment to the budget and appropriations may be necessary due to unanticipated situations that may occur after the adoption of the budget when combined with the statutory requirement that a department or elected office may not expend, or contract to expend, monies in excess of the amount appropriated.

A. Quarterly Budget Reviews

1. The Budget Division of the Finance Department shall develop and implement the process and procedures to develop a quarterly budget review to be presented to the Board of County Commissioners at the end of each quarter of the County's fiscal year.
2. Purpose of the Quarterly Budget Reviews:
    a) Provides an opportunity for the Executive Budget Committee and the Board to review and understand the County's fiscal condition on a periodic basis.
    b) Provides the context in which to consider upcoming budget, policy, and program decisions.
    c) Provides the timeframe during which the Board of County Commissioners considers requested budget amendments, supplemental appropriation requests or changes in the authorized staffing level to the current adopted budget.
3. Content of Quarterly Budget Reviews:
    a) Quarterly budget reviews shall provide updated information to the Board of County Commissioners, budget staff, and the public about the County's fiscal status, current economic trends and indicators, and revenue and expenditure projections through the end of the current fiscal year.
    b) Provides a five-year financial projections for key County funds, which are based on revenue and expenditure trend assumptions and projections provided by the Budget Division and departments and elected offices.

c) Information regarding supplemental appropriation requests and requests to change the authorized staffing level for departments and elected offices.
d) Recommendations of the Executive Budget Committee on matters applicable to the fiscal status, budget trends, and the supplemental appropriation and authorized staffing requests submitted by departments and elected offices.

4. The information detailed in Section 3 above, shall be presented to the Board of County Commissioners in the following manner:
    a) The Budget Division will schedule a study session to present the quarterly budget review to the Board of County Commissioners and all other interested parties.
    b) Following the presentation of the quarterly budget review at a study session, the Budget Division will schedule a public hearing for the Board of County Commissioners to consider adoption of supplemental appropriation resolutions and publish such resolutions prior to the public hearing per Section 29-1-106, C.R.S.

B. <u>Budget Amendments that Require Supplemental Appropriation Requests</u>
    1. Increases or decreases to the appropriation of a department, elected office or fund for which a specific appropriation was adopted in the annual budget resolution.
    2. Transfers between departments and elected offices or between funds for which a specific appropriation was adopted in the annual budget resolution.
    3. Increases or decreases to the authorized staffing level.
    4. Recognition of unanticipated revenue.
    5. Requests to purchase capital assets.
    6. Reauthorization of prior year grant funding on a reimbursement basis.

C. <u>Budget Amendments that Do Not Require a Supplemental Appropriation Request:</u>
    1. Transfers between line items within the appropriation of a department, elected office or fund for which a specific appropriation was adopted in the annual budget resolution.
    2. Changes in the authorized staffing that does not change the overall authorized staffing level for the department or elected office within the same fund.

D. <u>Responsibilities:</u>
    1. Departments and Elected Offices
        a) To perform thorough reviews and develop projections for their respective budgets and spending to determine if there are sufficient appropriations to allow for a proposed expenditure or encumbrance commitment.
        b) To notify the Budget Division of the receipt of any unanticipated revenues or grants awarded.
        c) To prepare and submit supplemental appropriation requests, if there is a need for a budget amendment that fits the requirements of Section B – Budget Amendments that Require Supplemental Appropriation Requests above.
        d) Provide adequate information and justification for supplemental appropriation requests to the Budget Division, Executive Budget

Committee, and Board of County Commissioners to facilitate the consideration of the request.

e) Attend the quarterly budget review study sessions and public hearings as needed.

2. Budget Division
   a) Assisting departments and elected offices in the preparation of quarterly financial projections, budget amendments and supplemental appropriation requests,
   b) Compiling and analyzing all such supplemental appropriation requests into the necessary materials and documents for review.
   c) Assist the Executive Budget Committee and the Board of County Commissioners with review and analysis of the financial condition of the County and any supplemental appropriation requests.
   d) Prepare and present the quarterly budget review at a study session.
   e) Prepare supplemental appropriation resolutions.
   f) Publish the supplemental appropriation requests prior to and present the information during the public hearing.
   g) Upon approval by the Board of County Commissioners, make the adopted changes to the appropriations and authorized staffing levels for the affected departments and elected offices.
   h) File copies of the adopted resolutions with the Division of Local Government in the Department of Local Affairs per Section 29-1-109, C.R.S.
3. Executive Budget Committee
   a) Review the quarterly budget review and supplemental appropriation request information provided by the Budget Division.
   b) Provide recommendations to the Board of County Commissioners per the Executive Budget Committee policy.
4. Board of County Commissioners
   a) Review the quarterly budget review and supplemental appropriation request information provided by the Budget Division.
   b) Review the recommendations of the Executive Budget Committee.
   c) Consider adoption of the supplemental appropriation resolutions presented during the public hearing following each quarterly budget review.

V. Related Documents and Procedures:

A. <u>Annual Budget Adoption Resolutions</u>
B. <u>Colorado Revised Statutes</u>
   1. Local Government Budget Law: Section 29-1-101 to 29-1-115, C.R.S.
   2. Changes to Budget: Section 29-1-109, C.R.S.
   3. Expenditures not to Exceed Appropriations: Section 29-1-110 C.R.S.
   4. Powers of the Board: Section 30-11-107, C.R.S.
C. <u>Executive Budget Committee Policy</u>
D. <u>Budget Amendment Procedures</u>

This policy supersedes and replaces Policy 3.4 dated 10/98.

Arapahoe County
Finance Department

Reappropriation Policy

Policy No.: 3.4

Version: 0.0

Resolution No.: 16XXXX

Effective Date: 12/31/2016

I. Authority:

The Board of County Commissioners has exclusive power to adopt the annual budget for the operation of county government, including all offices, departments, boards, commissions or other spending agencies of the county government, and other agencies which are funded in whole or part by county appropriations, per statute. This includes the approval of financial policies which establish and direct the budget process of Arapahoe County. The Finance Department is responsible for carrying out the policy directives of the Board of County Commissioners and establishing the necessary procedures to do so and, for reappropriation, such authority is delegated in the annual budget adoption resolution.

II. Purpose and Scope:

The appropriation authority granted in a fiscal year expires on December 31st of that same fiscal year. In specific circumstances, planned expenditures of that appropriation cannot be completed by the end of the fiscal year and a mechanism to amend the budget in the subsequent fiscal year is required to allow for further expenditures for that purpose.

These unspent funds, or appropriations, from the prior fiscal year may be re-appropriated for the following fiscal year for the original purpose(s). This re-appropriation of funds allows departments and elected offices to continue spending on these ongoing items without negatively impacting the budget and appropriations set for the current fiscal year. The amount of funds reappropriated are limited to the amount of unspent appropriation from the prior year and, in specific circumstances, the available unappropriated balance of the fund.

This policy applies to all departments, elected offices, and funds that have received prior appropriations for the items that are eligible for consideration under this policy.

III. Definitions:

A. Appropriation: The authorization by ordinance or resolution of a spending limit for expenditures and obligations for specific purposes.
B. Capital Asset: Equipment, Computer Equipment, Computer Software, Vehicles and Furniture with a unit cost of $5,000 or more. Does not include capital projects.
C. Capital Project: Major, non-recurring projects that have a purpose of acquiring or building assets such as buildings, facilities and roadways with a cost of $50,000 or more.
D. Encumbrance: An amount committed, but not yet expended, for the purchase of a specific good or service.
E. Fiscal Year: For the County, the period commencing January 1st and ending December 31st.

F. Fund Balance: The balance of total resources available for subsequent years' budgets consistent with the basis of accounting elected for budget purposes.

G. Grant: A contribution of assets (usually cash) by one government unit or other organization to another. The contribution is usually made to aid in the support of a specific function, but can be for general purposes.

H. Purchase order: A document which authorizes the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.

I. Reappropriation: The re-appropriation of funds through a supplemental appropriation in the current fiscal year to allow for further expenditures when planned expenditures of an existing appropriation cannot be completed by the end of the prior fiscal year for that same purpose.

J. Supplemental appropriation: An appropriation when there is a need to transfer budgeted and appropriated monies from one or more spending agencies in a fund to one or more spending agencies in another fund, or to transfer budgeted and appropriated monies between spending agencies within a fund, or if, during the fiscal year, the governing body or any spending agency of such local government received unanticipated revenue or revenues not assured at the time of the adoption of the budget.

IV. Policy:

Appropriation authority expires at the end of each fiscal year and the unspent balances revert to the balance in the fund of origin. In specific circumstances, if planned expenditures of that appropriation cannot be completed by the end of the fiscal year, the reappropriation of those appropriations through a supplemental appropriation in the subsequent fiscal year is required to allow for further expenditures for that purpose. Following the end of the prior fiscal year, the Budget Division of the Finance Department will initiate the reappropriation process to allow for departments and elected offices to submit eligible requests.

A. Reappropriation Process

1. The Finance Director is authorized to review:
    - a) All purchase orders that are open at the end of the year,
    - b) All capital assets approved that have not been purchased,
    - c) All capital projects previously started but not finished,
    - d) All grant projects previously started but not finished, and
    - e) The unappropriated balance of applicable funds.
2. The Finance Director is authorized to identify which purchase orders, fixed assets, capital projects, grants projects, and unappropriated fund balances should be reappropriated and is authorized to increase the appropriation so as to continue the funding of these previously appropriated needs, subject to review and action by the Board.
3. Elected offices and departments are responsible for:
    - a) Reviewing items eligible for reappropriation,
    - b) Requesting items be considered for reappropriation, and
    - c) Ensuring that the request follows the applicable procedures and deadlines established by the Budget Division of the Finance Department.

4. The Budget Division of the Finance Department is responsible for:
    a) Establishing the procedure for gathering and reviewing requests under this policy.
    b) Drafting the appropriate reports and resolutions related to this policy.
    c) Scheduling meetings of the Executive Budget Committee or Board of County Commissioners to review reappropriation requests and adopt the reappropriation resolutions, if required.
    d) Ensuring that the reappropriation resolutions follow the notice requirements of Section 29-1-106, C.R.S. and a copy of any adopted resolutions be sent to the Colorado Department of Local Affairs - Division of Local Government.

B. <u>Items that are Eligible for Reappropriation Consideration</u>

1. The balance of purchase orders opened and encumbered in a prior fiscal year but for which the money was not expended and the funds are still required for the original purpose,
2. The unspent balance of amounts budgeted for previously approved capital assets, capital projects, or other specific projects to allow for completion of the intended purpose,
3. The unspent balance of grants not funded on a reimbursement basis to allow the grant spending to be completed as originally intended, and
4. The unappropriated balance of the following funds:
    a) Electronic Filing Technology Fund
    b) Cash-in-Lieu Fund
    c) Conservation Trust Fund
    d) Communication Network System Replacement Fund
    e) Commissary Fund
    f) Forfeited Property Fund
    g) Developmental Disability Fund
    h) Open Space Sales and Use Tax Fund
    i) Arapahoe County Fair Fund
    j) The capital construction portions of the following funds:
        (1) Capital Expenditure Fund
        (2) Infrastructure Fund
        (3) Arapahoe County Recreation District Fund
        (4) Arapahoe County Water and Wastewater Public Improvement District Fund

C. <u>Items Not Eligible</u>

1. Requests for supplemental funding needs that were not appropriated in the prior year budget are not within the scope of this policy and shall be handled as supplemental appropriation requests under the policy for Budget Amendments.
2. The unspent portion of grants funded on a reimbursement basis as the required revenue will need to be added along with the appropriation through the Budget Amendment policy and process.
3. Any eligible item where the amount of requested reappropriation for any one department or elected office and any one fund, is greater than the amount of

unspent appropriations from the prior year and the available unappropriated fund balances.

V. Related Documents and Procedures:

A. Annual Budget Adoption Resolutions
B. Colorado Revised Statutes
   1. Local Government Budget Law: Section 29-1-101 to 29-1-115, C.R.S.
   2. Powers of the Board: Section 30-11-107, C.R.S.
C. Budget Amendment Policy
D. Reappropriation Procedures

This policy supersedes and replaces the Reappropriation Policy 3.11 dated 5/99.

Arapahoe County
Finance Department

Executive Budget Committee Policy

Policy No.: 3.5

Version: 1.1

Resolution No.: 070164

Effective Date: 3/13/2007

I. Authority:

The Board of County Commissioners has exclusive power to adopt the annual budget for the operation of county government, including all offices, departments, boards, commissions or other spending agencies of the county government, and other agencies which are funded in whole or part by county appropriations, per statute. This includes the approval of financial policies which establish and direct the budget process of Arapahoe County. The Finance Department is responsible for carrying out the policy directives of the Board of County Commissioners and establishing the necessary procedures to do so.

II. Purpose and Scope:

The Executive Budget Committee shall be appointed and tasked with the detailed review of the annual requested budget, supplemental budget requests, the annual reappropriation of funds, and other financial matters as identified by the Board of County Commissioners. Following such review, the Committee is to provide a recommendation for approval of the budget items to the Board of County Commissioners for their review and approval.

The scope of the Executive Budget Committee includes review of the annually submitted departmental and elected office budgets including baseline and budget package requests and revenue and expenditure projections. The Committee will also review quarterly supplemental appropriation requests and the requests for reappropriation. Other areas of review may be specified by the Board of County Commissioners. Final decisions on all financial and budgetary matters, as may be recommended by the Committee, will be made by the Board of County Commissioners.

III. Definitions:

A. Budget: The financial plan for the operation of a program, completion of a project, or the entire organization for the year.
B. Budget amendment: Any requested change to the existing revenue or expenditure budget of a department, elected office, or fund regardless of whether such change requires a supplemental appropriation request.
C. Reappropriation: The re-appropriation of funds through a supplemental appropriation in the current fiscal year to allow for further expenditures when planned expenditures of an existing appropriation cannot be completed by the end of the prior fiscal year for that same purpose.
D. Recommended Budget: The estimated and proposed budget of revenues and expenditures for the ensuing fiscal year that is required to be submitted to the Board of County Commissioners no later than October 15th each year.
E. Supplemental appropriation: An appropriation when there is a need to transfer budgeted and appropriated monies from one or more spending agencies in a fund to

one or more spending agencies in another fund, or to transfer budgeted and appropriated monies between spending agencies within a fund, or if, during the fiscal year, the governing body or any spending agency of such local government received unanticipated revenue or revenues not assured at the time of the adoption of the budget.

IV. Policy:

A. Composition
   1. Committee Membership:
      a) The members of the Executive Budget Committee are appointed by the Board of the County Commissioners and shall be composed of three (3) to five (5) members for voting and decision-making purposes.
      b) The Committee shall be composed of representatives from the following three (3) groups: the Board of County Commissioners, other County Elected Officials, and Department Directors or other non-elected staff.
      c) Depending on the number of total members, each group shall not be without representation and no group shall have more than two (2) representatives on the Committee.
      d) A quorum shall consist of two members when membership is less than five (5) members.
   2. Non-Voting Staff: The Executive Budget Committee will be assisted in their work by the County Finance Director, Budget Manager, and Budget Division staff as non-voting liaisons. Staff will provide Committee members with financial data and analysis of the budget issues to be considered and assist in gathering any other information the Committee requests.

B. Process
   1. Meetings and Decisions:
      a) Meetings of the Executive Budget Committee will be scheduled and held at times as determined by the Committee members in cooperation with staff liaisons.
      b) Committee meetings require a majority of the voting members to be present to decide on any recommendation to the Board of County Commissioners.
      c) Final decisions on all financial matters before the Committee that relate to the development or modification of the County's annual budget shall be determined by the Board of County Commissioners.
   2. Annual Budget Development and Review:
      a) Budget Guidance: Each year the Executive Budget Committee shall:
         (1) Assess the financial condition of the County,
         (2) Consider the goals of the County,
         (3) Seek guidance from the Board of County Commissioners, and
         (4) Provide written guidance to elected offices and departments pertaining to the development of the upcoming year's budget prior to their budget submission.

b) Budget Review and Recommendation: Following the budget submissions from elected offices and departments, the Executive Budget Committee shall:

(1) Schedule times to meet with elected offices and departments to review and discuss their budget requests,

(2) Review and evaluate the budget requests to determine which requests should be recommended to the Board of County Commissioners as part of that year's recommended budget,

(3) Distribute the information regarding which requests will be recommended to the Board of County Commissioners and which will not,

(4) Schedule additional time for elected offices and departments who wish to appeal the preliminary recommendations of the Executive Budget Committee prior to submission of those recommendations to the Board of County Commissioners,

(5) Submit the annual recommended budget to the Board of County Commissioners at a public hearing prior to the statutory deadline of October 15th that includes information on the recommendations of the Committee along with information on the budget requests that were not recommended, and

(6) The Committee shall present its recommendations to the Board of County Commissioners at a study session.

3. Budget Amendments and Annual Reappropriations: The Executive Budget Committee shall:

   a) Schedule a meeting of the Committee to review requests for budget amendments that require supplemental appropriations and annual reappropriations prior to the quarterly budget review study session,

   b) Review all quarterly requests for budget amendments requiring supplemental appropriations and annual requests for reappropriations and make recommendations to the Board of County Commissioners on which requests should be approved, and

   c) Finance Department staff will schedule the required study sessions and public hearings for formal Board of County Commissioner consideration of these requests and coordinate with other County elected officials, department directors, and staff to attend these meetings to be present to answer questions posed by the Board.

4. Other Reviews as Specified by the Board of County Commissioners:

   a) The Executive Budget Committee shall analyze and review other topics and issues as directed by the Board of County Commissioners.

   b) The manner in which these reviews or analyses are conducted and the end product or recommendation shall be in accordance with Board direction or, in the absence of specific Board direction, per the judgment of the Committee to complete the task.

   c) Results of the Committee's work shall be presented to the Board of County Commissioners.

V. Related Documents and Procedures:

A. Colorado Revised Statutes
   1. Powers of the Board: Section 30-11-107, C.R.S.
   2. Local Government Budget Law: Section 29-1-101 to 29-1-115, C.R.S.
B. Budget Preparation and Control Policy
C. Budget Amendment Policy
D. Reappropriation Policy

This policy updates the Executive Budget Committee Policy dated 3/07.

Arapahoe County
Finance Department

Capital Improvement Program Policy

Policy No.: 3.6

Version: 0.0

Resolution No.: 16XXXX

Effective Date: 12/31/2016

I. Authority:

The Board of County Commissioners has exclusive power to adopt the annual budget for the operation of county government, including all offices, departments, boards, commissions or other spending agencies of the county government, and other agencies which are funded in whole or part by county appropriations, per statute. This includes the approval of financial policies which establish and direct the budget process of Arapahoe County including the budgeting and appropriation of capital improvement projects. The Finance Department is responsible for carrying out the policy directives of the Board of County Commissioners and establishing the necessary procedures to do so.

II. Purpose and Scope:

The Board of County Commissioners has the responsibility for approving capital improvement policies as well as approving Capital Improvement Program funding as part of its responsibility for the County's annual budget. This policy establishes the process by which requests for capital project funding, as part of the County's budget, will be considered, reviewed, and adopted.

The scope of this policy includes all departments and elected offices that request funding for capital improvement projects across any of the County's funds.

III. Definitions:

A. Appropriation: The authorization by ordinance or resolution of a spending limit for expenditures and obligations for specific purposes.
B. Capital Asset: Equipment, computer equipment, computer software, vehicles and Furniture with a unit cost of $5,000 or more. Does not include capital projects.
C. Capital Improvement Program: The proposed plan for capital projects that is developed and updated to reflect the estimated amount of capital expenditures to be incurred each year over a five-year period as well as the anticipated revenues to finance those capital projects.
D. Capital Project: Major, non-recurring projects that have a purpose of acquiring or building assets such as buildings, facilities and roadways with a cost of $50,000 or more and have a useful life of 10 years or more. Also referred to as a capital improvement project.
E. Fiscal Year: For the County, the period commencing January 1st and ending December 31st.
F. Fund Balance: The balance of total resources available for subsequent years' budgets consistent with the basis of accounting elected for budget purposes.
G. Reappropriation: The re-appropriation of funds through a supplemental appropriation in the current fiscal year to allow for further expenditures when planned expenditures

of an existing appropriation cannot be completed by the end of the prior fiscal year for that same purpose.

H. <u>Supplemental appropriation:</u> An appropriation when there is a need to transfer budgeted and appropriated monies from one or more spending agencies in a fund to one or more spending agencies in another fund, or to transfer budgeted and appropriated monies between spending agencies within a fund, or if, during the fiscal year, the governing body or any spending agency of such local government received unanticipated revenue or revenues not assured at the time of the adoption of the budget.

IV. Policy:

Capital projects are defined as those major, non-recurring projects that have a purpose of acquiring or building capital assets such as buildings, facilities, equipment, software, and roadway infrastructure with a cost of $50,000 or more and have a useful life of 10 years or more. The following sections provide the policy guidance for the Capital Improvement Program, Capital Improvement Program Committee, and the responsibilities of the parties related to capital projects and the Capital Improvement Program.

A. <u>Capital Improvement Program</u>
   1. The Capital Improvement Program (CIP) is the proposed plan for capital projects that is developed and updated to reflect the estimated amount of capital expenditures to be incurred each year over a five-year period as well as the anticipated revenues to finance those capital projects.
   2. Capital projects are defined as those major, non-recurring projects that have a purpose of acquiring or building capital assets such as buildings, facilities, equipment, software, and roadway infrastructure with a cost of $50,000 or more and have a useful life of 10 years or more.
   3. The Board of County Commissioners requests that a Capital Improvement Program Committee develop, monitor, and maintain the Capital Improvement Program plan.
   4. The Board of County Commissioners will adopt only the upcoming year, or the first year of the Capital Improvement Program, in the annual adopted budget.
   5. In the event of requested changes to an adopted capital project budget or the Capital Improvement Program or plan, the requested change will be:
      a) Reviewed by the Capital Improvement Program Committee.
      b) Submitted for consideration as a supplemental appropriation request at the next quarterly budget review through the appropriate process.
   6. Capital projects that are not complete at the end of the fiscal year and have appropriations remaining, will be considered in the annual reappropriation process to allow completion of the project within the remaining appropriation per the Reappropriation policy.

B. <u>Capital Improvement Program Committee</u>
   1. The Capital Improvement Program (CIP) Committee is established by this policy to develop, monitor, and maintain the Capital Improvement Program plan.

2. Specifically, the Capital Improvement Program Committee shall be responsible for the following:
    a) To establish the administrative framework, format, and process for the development of the Capital Improvement Program plan,
    b) To consolidate, compile, review, analyze, and evaluate all of the Capital Improvement Program project requests,
    c) To prepare a recommendation for the Capital Improvement Program as well as the annual action plan for the upcoming year to the Executive Budget Committee and the Board of County Commissioners during the annual budget development process,
    d) To implement the approved Capital Improvement Program plan,
    e) To monitor the status of previously approved capital projects and evaluate the results of the Capital Improvement Program plan,
    f) To perform any review or analysis of the Capital Improvement Program or capital project as directed by the Board of County Commissioners.
3. Composition of the Capital Improvement Program Committee
    a) The Committee will be comprised of voting and non-voting members who are all appointed by the Board of County Commissioners for one-year terms.
    b) Voting Members:
        (1) Will be selected from among County departments and elected offices that are the primary agencies that submit and/or manage capital projects and the Finance Department.
        (2) No more than one (1) voting member per department or elected office can be appointed.
        (3) One (1) County Commissioner shall be appointed to the Committee.
    c) Non-Voting Members:
        (1) The Committee shall be assisted in its work by staff from the Finance Department.
        (2) These staff are not permitted to be voting members for purposes of Committee decisions and recommendations.
4. The Committee shall meet as needed throughout the year to develop and update the Capital Improvement Program plan and discuss other topics related to capital projects and the Capital Improvement Program.
5. Recommendations of the CIP Committee shall be through a deliberative process whereby a majority of the voting members of the Committee agree on the composition and funding of the proposed Capital Improvement Program plan.
6. The Committee will work with the Budget Division of the Finance Department in determining the process and format for how capital project requests will be submitted and what information is required for consideration.

C. <u>Capital Project Funds and Mill Levy</u>
1. Capital Expenditure Fund
    a) The Capital Expenditure Fund is a capital project fund for accounting purposes and shall be the primary location for the funding of the Capital Improvement Program and capital projects.

b) If the Board of County Commissioners sets a mill levy for capital improvements, the revenue shall be collected and spent within the Capital Expenditure Fund for such improvements and projects.

2. Infrastructure Fund
    a) The Infrastructure Fund will be classified as a capital projects fund for accounting purposes.
    b) The fund will account for all monies allocated for capital projects for infrastructure projects by the County or transferred to the County by developers or other entities for such projects.
3. Other Funds
    a) If there is a specific need to fund a capital project from a fund other than the Capital Expenditure or Infrastructure Fund, the Finance Department will review the specific circumstances and make a determination on such a request.

D. <u>Responsibilities:</u>
1. Capital Improvement Program Committee:
    a) Responsible for items included in Section B of this policy.
2. Department and Elected Offices:
    a) Adequately forecast and plan for capital projects and other significant project expenditures through the entire Capital Improvement Program plan timeframe.
    b) Submit capital project requests in the appropriate format and through the appropriate process to the Capital Improvement Program Committee and/or the Budget Division of the Finance Department.
3. Budget Division:
    a) Assist the Capital Improvement Program Committee, the Executive Budget Committee, and the Board of County Commissioners in developing, monitoring, and analyzing capital projects and the Capital Improvement Program.
    b) Assist elected offices and departments with the development and submission of capital project requests through the Capital Improvement Program Committee process, the annual budget development process, or the supplemental appropriation process per the applicable policies and procedures.
    c) Assist the departments and elected offices, Executive Budget Committee and the Board of County Commissioners in the gathering, submission, and analysis of reapproriation requests for capital projects per the Reappropriation policy and procedure.
4. Executive Budget Committee:
    a) Review and recommend to the Board of County Commissioners the proposed Capital Improvement Program plan and capital project funding requests from the Capital Improvement Program Committee per the responsibilities outlined in the Executive Budget Committee policy.
5. Board of County Commissioners:
    a) Appoint the members of the Capital Improvement Program Committee annually.

b) Review and approve the proposed Capital Improvement Program plan and capital project funding requests from the Capital Improvement Program Committee and Executive Budget Committee.
c) Adopt the Capital Improvement Program funding for the next fiscal year.
d) Review and adopt any recommended changes to Capital Improvement Program plan and capital project funding requests from the Capital Improvement Program Committee and Executive Budget Committee during the current fiscal year.

V. Related Documents and Procedures:

A. Colorado Revised Statutes –
   1. Local Government Budget Law: Section 29-1-101 to 29-1-115, C.R.S.
   2. Powers of the Board: Section 30-11-107, C.R.S.
   3. Capital Expenditures Fund – Tax Levy: Section 30-25-202, C.R.S.

B. Budget Preparation and Control Policy

C. Budget Amendment Policy

D. Reappropriation Policy

E. Capital Improvement Program Procedures

This policy supersedes and replaces the Capital Improvement Program Policy 9.1 dated 1/97.

Arapahoe County
Finance Department

Capital Asset Budget Policy

Policy No.: 3.7

Version: 1.0

Resolution No.: 16XXXX

Effective Date: 12/31/2016

I. Authority:

The Board of County Commissioners has exclusive power to adopt the annual budget for the operation of county government, including all offices, departments, boards, commissions or other spending agencies of the county government, and other agencies which are funded in whole or part by county appropriations, per statute. This includes the approval of financial policies which establish and direct the budget process of Arapahoe County including the budgeting and appropriation of capital assets due to their generally large, one-time budget outlay in addition to recurring charges for its future replacement and expenses related to the operation and maintenance of the asset that may impact other departments and elected offices. The Finance Department is responsible for carrying out the policy directives of the Board of County Commissioners and establishing the necessary procedures to do so.

II. Purpose and Scope:

The purpose of this Capital Asset Budget policy is to maintain a system by which capital assets can be funded and replaced when the asset has reached the end of its useful life without undue financial hardship on the County or on any specific budget year.

The scope of this policy extends to the budgeting of capital assets that include vehicles, machinery, equipment, assembled furniture and fixtures, and computer hardware whose cost exceeds the $5,000 capitalization threshold as well as computer software whose cost exceeds the capitalization threshold of $50,000.

III. Definitions:

A. Capital Asset: Includes land, land improvements, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure and all other tangible and intangible assets that are used in operations and that have initial useful lives beyond a single financial reporting period and where the cost of the asset is greater than the capitalization threshold.
B. Capital Asset Number: A unique number used to identify a capital asset that is determined and assigned by the Accounting Division of the Finance Department.
C. Capital Asset Replacement: The replacement of a capital asset that is worn out, obsolete, or that has reached the end of its useful life with another similar capital asset that will provide similar functionality as the originally purchased capital asset.
D. Capitalization Threshold: The amount at which an item becomes a capital asset. For purposes of this policy, the capitalization threshold is $5,000.
E. Central Services Fund: A proprietary fund of the County which serves as the location for the purchase and replacement of capital assets.

F. Intergovernmental Rental Charges: Monthly charges allocated by the Central Services Fund to the operating budget of the department or elected office user of the capital asset that are equal to the depreciation over the capital asset's useful life.

G. Reappropriation: The re-appropriation of funds through a supplemental appropriation in the current fiscal year to allow for further expenditures when planned expenditures of an existing appropriation cannot be completed by the end of the prior fiscal year for that same purpose.

IV. Policy:

The Capital Asset Budget policy below is intended to maintain a system by which capital assets can be funded and replaced when the asset has reached the end of its useful life without undue financial hardship on the County or on any specific budget year. The purchase of a capital asset generally requires a large one-time budget outlay in addition to recurring charges for its future replacement and expenses related to the operation and maintenance of the asset that may impact other departments and elected offices. Therefore, the Board of County Commissioners shall approve the purchase of all capital assets by departments, elected offices, and agencies within their budgetary authority. All capital assets shall be identified by an asset number that is determined and assigned by the Accounting Division of the Finance Department.

A. Costs to be Included in a Capital Asset Request

1. The budget request for a capital asset shall include all costs associated with the purchase of the capital asset including ancillary costs such as:
    a) Freight, shipping, and transportation costs,
    b) Design costs,
    c) Installation costs,
    d) Professional services fees and costs as related to the purchase and installation of the capital asset, and
    e) Other costs directly attributable to the acquisition of the capital asset.
2. Costs for training or ongoing maintenance or support of the acquired capital asset should not be considered part of the cost and should be expensed against operating funds.
3. The requesting elected office or department has the responsibility to make sure that all valid costs required for purchasing and putting the capital asset into service be included in the cost of the capital asset per the above limitations.

B. Requesting a New Capital Asset

1. A department or elected office that requires the purchase of a new capital asset must request and receive approval for such a purchase from the Board of County Commissioners.
2. Generally, in order to purchase the approved new capital asset, funds will need to be transferred from the operating budget for the requesting department or elected office to which the asset is assigned to the Central Service Fund as part of the adopted budget or as part of a supplemental appropriation request.
3. The elected office or department request for the capital asset shall follow the applicable financial policy and procedures established by the Budget Division

for submitting such a request for the annual budget development process or the quarterly budget review and amendment process.

4. Following approval of the annual budget or supplemental appropriation request by the Board of County Commissioners, the Budget Division will provide a list of approved fixed assets showing the fixed asset number (as assigned by the Accounting Division of the Finance Department), description of the asset, and the budgeted amount to the department or elected office.
5. Once the approval and notification has been received, the department and elected office is responsible for initiating the requisition of the approved fixed asset in accordance with the Purchasing Policy and other applicable policies.
6. Once the capital asset is acquired, the Central Service Fund will begin charging intergovernmental rents to the applicable department or elected office over its useful life to fund its future replacement.

C. Requesting the Replacement of a Capital Asset

1. Once a capital asset reaches the end of its useful life and is in need of replacement, a department or elected office can request the replacement of the capital asset from the Central Service Fund drawing on the funds contributed through intergovernmental rental charges.
2. A capital asset replacement is defined as the replacement of a capital asset that is worn out, obsolete, or that has reached the end of its useful life with another similar capital asset that will provide similar functionality as the originally purchased capital asset.
3. If a department or elected office has determined that the replacement capital asset will not be similar to the asset being replaced or will fulfill a different function, the requesting department or elected office shall seek the approval of the Board of County Commissioners for such a change.
4. If the capital asset was not purchased within the Central Service Fund or charged intergovernmental rents, no replacement funding is available and it will need to be replaced using funds from the requesting department or elected office operating budget similar to the process for a new capital asset.
5. The elected office or department request for the capital asset shall follow the applicable policies and procedures established by the Budget Division for submitting such a request for the annual budget development process or the quarterly budget review and amendment process.
6. Following approval of the annual budget or supplemental appropriation request by the Board of County Commissioners, the Budget Division will provide a list of approved fixed assets showing the fixed asset number (as assigned by the Accounting Division of the Finance Department), description of the asset, and the budgeted amount to the department or elected office.
7. Once the approval and notification has been received, the department and elected office is responsible for initiating the requisition of the approved fixed asset in accordance with the Purchasing Policy and other applicable policies.
8. Once the capital asset is acquired, the Central Service Fund will begin charging intergovernmental rents to the applicable department or elected office over its useful life to fund its future replacement.

D. Intergovernmental Rent Charges and the Central Services Fund

1. Central Services Fund

a) The Central Service Fund serves as a revolving fund for the replacement of capital assets.
b) All approved capital assets applicable under this policy that meet the capitalization threshold shall be purchased from the Central Service Fund unless the specific circumstances below are met.
c) Circumstances for purchasing a capital asset outside of the Central Services Fund:
    (1) One-time or Grant Funded Purchases
        (a) Capital assets that are one-time purchases that will not be replaced or those funded by a grant or grant funded program can be budgeted, expensed, and replaced in the fund that enabled the purchase.
        (b) These capital assets will not be part of or replaced through the Central Services Fund.
        (c) These assets are still bound by the other provisions of this capital asset policy regarding the request and approval for the purchase of capital assets.
d) The Central Service Fund operates on an assumption that, over time, price overruns for replacement capital assets will equal price savings and assets no longer required and retired.
e) A new or replacement capital asset that is approved will be purchased unless the price on any one asset exceeds the approved price by 15 percent or $15,000 more than the budgeted amount, whichever is less, for the purchase.
f) If an approved capital asset costs less than the budgeted amount, the savings will remain in the Central Service Fund to offset additional costs on other capital assets.
g) Additional amounts can be added to the Central Service Fund each year as needed to provide for new purchases, purchases that exceed the cost overrun threshold above, or inflationary pressures.

2. Intergovernmental Rental Charges
    a) Intergovernmental rental charges are those charges allocated by the Central Services Fund to the operating budget of the department or elected office user of the capital asset that are equal to the depreciation over the capital asset's useful life.
    b) The useful life of a capital asset shall be determined by the Accounting Division of the Finance Department and the applicable policy unless specific circumstances require a different useful life.
    c) These intergovernmental rental charges shall be applied monthly by the Accounting Division of the Finance Department.
    d) The purpose of these charges is to provide funding to the Central Services Fund for the future replacement of the capital asset.
    e) The Budget Division shall calculate the amount of intergovernmental rentals to be budgeted for each department and elected office during the annual budget development process and whenever there is an addition to the capital assets during the fiscal year that was not included in the adopted budget.

(1) These budgeted intergovernmental rental charges shall include amounts for those capital assets currently being depreciated and estimates for capital assets that have been approved but have yet to be acquired.

E. <u>Other Provisions for Capital Asset Budgeting</u>

1. Cooperation with Applicable Support Departments and Divisions
   a) It is the responsibility of the requesting department or elected office to work with the appropriate support departments such as Information Technology and Facilities and Fleet Management to determine the need and specifications of new and replacement capital assets.
   b) The requesting department or elected office should also work with the Purchasing Division of the Finance Department to determine the estimated cost and purchasing policies that need to be followed in order to budget for and acquire the capital asset.
2. Requests for New or Replacement Capital Assets without Appropriations
   a) In rare circumstances, if the request for a new or replacement capital asset does not change the appropriation of the requesting department or elected office or require a transfer from the operating budget to the Central Service Fund, approval from the Board of County Commissioners for the new capital asset can be obtained through a study session rather than through the formal budget process.
   b) Regardless of the process, the requesting department or elected office shall notify the Budget Division to ensure proper handling of the request and capital asset number creation.
3. Reappropriation of Capital Assets
   a) In the event that an approved new or replacement capital asset has not been purchased by the end of the current fiscal year, the appropriation for the capital asset should be requested during the reappropriation process in the following year to enable the purchase of the capital asset to be completed.
   b) Such a request shall follow the established Reappropriation policy and procedures.
4. Replacement Capital Assets No Longer Needed or Below Capitalization Threshold
   a) Below the Capitalization Threshold
      (1) If the cost for a replacement capital asset falls below the capitalization threshold, the capital asset shall be purchased from the operating budget of the requesting department or elected office.
      (2) If the department or elected office chooses, it may request a one-time transfer of the amount of funding for replacement contributed to the Central Service Fund through intergovernmental rent changes to the appropriate operating budget during the budget development or quarterly budget review process.
   b) Replacement of Capital Asset No Longer Needed

(1) In the event that a capital asset has been charged its applicable intergovernmental rental charges and the department or elected office has determined that the capital asset is no longer needed and a future replacement is not necessary, a request can be made to the Board of County Commissioner to have the accumulated intergovernmental rental charges applied to another capital asset or returned to the operating budget.

(2) This request shall follow the applicable policies and procedures for the annual budget development or budget amendments.

V. Related Documents and Procedures:

A. Budget Preparation and Control Policy
B. Budget Amendment Policy
C. Reappropriation Policy
D. Capital Asset Accounting Policy

This policy supersedes and replaces the Fixed Asset Budget Policy 3.13 dated 10/98.