

## MEMORANDUM

April 26, 2004

TO: Distribution

FROM: Gordon A. Aoyagi, Fire Administrator

SUBJECT: Transmittal of Revised *LFRD Finance and Accounting Manual*,  
FRC 03-05AM

With this memorandum, I am forwarding to you the revised *LFRD Finance and Accounting Manual*, FRC 03-05AM, which the Fire and Rescue Commission approved when it met on March 11, 2004, and confirmed when it met on April 8, 2004.

The revised financial guidelines are a practical resource for use by the LFRDs' administrative employees and their Boards of Directors, referencing terms and accounts that are specific to the LFRD environment, and providing directions for the non-accounting professional on how to design and manage a financial system that is unique to the needs of the individual LFRD. We expect that the use of this manual will enhance the LFRDs' ability to meet the fiscal responsibilities entrusted to them by the County, and simultaneously enable them to more consistently satisfy the Office of Legislative Oversight's auditing and reporting requirements.

Throughout the document, users will note that most sections or provisions are discretionary guidelines. However, other provisions or sections that are dictated by law or FRC policy are designated for **mandatory compliance**. Section X. of the manual also provides reference to other relevant existing FRC policies and regulations, including *LOSAP, Stand-by Food Expenses, Local and Non-Local Travel Expenses, and Corporation Legal Expenses*. LFRD Boards of Directors and their administrative employees should become thoroughly familiar with the recommendations and requirements in this manual.

Please **discard** the existing Finance Manual from Sec. 03-05 of your FRC Administrative Procedures and Regulations Manual, and **insert this document in its**

**place.** I also recommend that you update the FRC manual's Table of Contents and its Alphabetical Index to indicate the effective date of **May 1, 2004** for the new Manual.

You may call Beth Feldman on (240) 777-2423, or Kevin Sanzenbacher on (240) 777-2248, if you have any questions regarding this manual.

Distribution: FRC manual holders list

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## **I. INTRODUCTION**

Montgomery County's local fire and rescue departments (LFRDs) are independent corporations chartered by the State of Maryland as public/private partnerships. Although the LFRDs have the latitude to exercise their financial affairs as independent businesses in most respects, because they accept public funds from Montgomery County and the State of Maryland, they are required to follow certain legally-mandated State and County procedures to safeguard those funds.

This manual was developed as a user-friendly guide, outlining recommended financial and accounting procedures for use by the LFRDs. The procedures in Sections II., III., V., VII., IX., and X., are recommended as "best practices" to manage these funds. However, the procedures in Sec. IV. C. (Sen. Amoss/State Grant Funds), Sec. VI. (Procurement Process), and Sec. VIII. (Audit), are mandatory, as required either by Montgomery County Code, or State law, with appropriate legal references cited.

## **II. ROLE OF LFRD BOARD OF DIRECTORS**

An LFRD's Board of Directors is responsible for the general financial and administrative oversight of its corporation. Its responsibility includes:

- financial oversight and management of all funds, including federal, State, County, and LFRD tax-related funds;
- designating or assigning responsibility for accounting procedures, and/or financial authority, as appropriate. This authorization must be written and approved by the LFRD's Board of Directors, and must be kept up-to-date; and
- providing and maintaining written records of all policies, procedures, LFRD meeting minutes, and tax-related financial records for review and audit.

## **III. SEGREGATION OF DUTIES**

Optimal accounting and auditing practices require that each stage of a transaction must be examined to ensure the highest level of integrity and accountability. This financial oversight should include segregating duties when possible, with each step in the purchase payment process completed by a different individual. For example: one individual should complete the purchase order; a second individual should verify receipt of the order; and a third individual should then pay the invoice. An LFRD's Board of Directors must ensure that all transactions are reviewed and approved to fulfill its fiduciary responsibility for the use of County tax funds. However, when segregation of duties is not possible:

- a designated Board Member must review all Purchase Orders, invoices, bills, and checks, to ensure that purchases are made at the best economical value, for

approved expenses only, and that proper quantities have been received;

- LFRD accounts must be reviewed regularly to ensure satisfactory financial conditions and cash availability;
- the Treasurer, a Board Member, or other third party (i.e., an accountant) must receive and review the bank statements and canceled checks before turning them over to the individual responsible for preparing the bank reconciliation; and
- the Treasurer, a Board member, or other third party (i.e., an accountant) must also review and approve by signature, the bank account's reconciliation after it is prepared.

LFRDs that are controlled by a Local Fire Board have an additional level of scrutiny, enabling them to maintain the integrity of their accounting systems.

## **IV. BUDGET**

Each LFRD may prepare three types of budgets: a County Operating Budget, the State Grant Budget (Senator Amoss/"508" Fund), and the County's Capital Improvement Program (CIP) Budget. LFRD budgets are submitted to the MCFRS Budget Office in accordance with Chapter 21-22 of the County Code. The Operating and State Grant budgets have four areas of responsibility:

- Establishing accounts;
- Budget submission;
- Budget management; and
- Budget reporting.

### **A. THE OPERATING BUDGET**

1. **Establishing the Chart of Accounts and Programs Overview.** Common presentations of a chart of accounts for appropriation and expenditure include the categories below.

a. The County's operating budgets are divided into seven programs, under which funds are further classified as line items. For the fire and rescue service, these programs include:

- Volunteer Support
- Fire/EMS Supply
- Administration
- Vehicle Maintenance
- Facility Management
- Public Service, and
- Specialty Teams, if applicable (see Appendix A)

- b. Each LFRD that receives County tax funds for Operating Expenses and Capital Outlay funds has tax funds transferred into that LFRD's designated checking account by the County Finance Office. Personnel Costs are paid directly by the County to the employee as wages, or are credited within the County's FAMIS system to pay for the various fringe benefits. The LFRDs do not directly disburse these funds, but are responsible for monitoring personnel expenditures to ensure these amounts do not exceed appropriations.
- c. In the County budget system (BPREP), and its accounting system (FAMIS), the Chart of Accounts includes hierarchical index, object, and sub-object codes to identify the revenues and expenditures related to numerous fiscal entities, and for required tracking purposes, County-wide.
- d. The basic County financial codes are used in the individual LFRD's Chart of Accounts, but may be altered to meet local tracking or software needs if the reports can easily be referenced to the County system. LFRD accounting systems may also include more detail than the County system, i.e., an LFRD may have separate line items for vehicle maintenance for each piece of apparatus, and then aggregate the expenditures into the vehicle maintenance line item for quarterly and annual reporting to the County.

2. **County Budget Approval and Submission Process (required under County Code Sec. 21-22).**

- a. The MCFRS Budget Office transmits a budget request packet to each LFRD within the first quarter of the fiscal year, with instructions and timelines for developing the submission of the County budget for the following fiscal year.
- b. Each LFRD Treasurer or designee must complete the budget submission according to the instructions of its Board of Directors, and in accordance with LFRD policy.
- c. The LFRD's Board of Directors approves the LFRD's budget submission to the County, and forwards it to the MCFRS Budget Office by the established deadline.
- d. The MCFRS Budget Office reviews each LFRD's budget submission, and forwards them to the Fire Administrator. The Administrator reviews the requested budgets, and proposes appropriate amounts, which the FRC then reviews and provides its comments on the proposed submission, along with a summary, including an analysis of the County-wide implications, relationships



to applicable fire service master plans, and its recommendation on the proposal. The Commission's comments eventually will be forwarded to the County Executive and County Council.

- e. The Fire Administrator submits a unified MCFRS budget to OMB, which makes its recommendations based upon the County's current revenue and spending projections for the coming fiscal year. OMB submits the MCFRS budget, with all other County department budgets in the County's overall budget, to the County Executive for consideration.
- f. The Executive transmits his recommended budget to the County Council for its review and action. When the County Council has taken final action, the MCFRS Budget Office notifies the LFRDs of the approved LFRD budgets.

3. **LFRD Budget Management.** The budget management process entails monitoring revenue and expenditures throughout the year to maintain an adequate cash flow, and to ensure that each LFRD remains within its authorized appropriation authority. If deficits are projected, the LFRD's Board of Directors or designee(s) review the situation and recommends remedial action, which may include:

- reducing expenditures;
- seeking Supplemental Appropriations;
- seeking advancement on allotments; or
- transferring funds within the LFRD's budget from one appropriation category to another, e.g., from Personnel to Operating Expense.

LFRDs should obtain the advice of the MCFRS Budget Office on how to proceed on these items. It is the responsibility of the LFRD's Board of Directors, its President, or its Treasurer to notify the MCFRS Budget Office of any projected deficits, or any accounting irregularities involving tax funds.

4. **LFRD Budget Reporting**

- a. Monthly reports must be prepared for, and reviewed by, each LFRD's Board of Directors.
- b. Periodically, the County distributes requests for budget projections for the remainder of the fiscal year, which must be completed and returned by the indicated deadline.
- c. At the end of the fiscal year, a compilation of all year-to-date expenditures (actual and encumbered) must be completed for use in preparing the following fiscal year's budget, and as an internal

management tool.

**B. THE CAPITAL IMPROVEMENT PROGRAM (CIP).** The County's CIP budget is currently formulated in two year cycles. The CIP programs are not separate accounts, but discrete projects, which are managed by the Facility Management Division of the County's Department of Public Works and Transportation.

**1. CIP Budget Submission and Approval**

- a. When an LFRD receives the County's notice and timeline for submittals regarding the start of the CIP budget cycle, it should evaluate the needs of its facility for major repairs, expansions, renovations, or new construction. When these needs are identified, the LFRD must develop justifications and obtain cost estimates to submit to its Board of Directors. If the Board of Directors approves the project, it must forward the completed budget to the MCFRS Budget Office by the established deadline.
- b. The MCFRS Budget Office will review the budget, and submit it to the Fire Administrator, who then submits a unified MCFRS budget, including the LFRDs, FRC, DVFRS, and DFRS budgets, to the Commission. The FRC must then forward the Administrator's proposed budget, together with a summary, to OMB for review and inclusion in the County's CIP budget.
- c. The LFRD must monitor its project proposals throughout the approval process to ensure that adequate information is provided to the decision-makers.
- d. When the County Council approves the CIP project, the LFRD's President must designate a representative to act as liaison with the County's facilities project manager to monitor the program's progress.

**C. STATE GRANT FUNDS – MANDATORY REQUIREMENTS**  
**in accordance with *Sen. William H. Amoss Fund Procedures*,  
FRC Policy #03-07, and State Requirements**

1. **Accounting for State Grant Funds.** State Grant Funds must be accounted for separately from other tax funds, and maintained in a separate bank account, with separate recordkeeping, and separate files. These funds are transferred to a separately-designated State Grant Fund bank account upon their receipt, and expenditures are recorded in the year in which they occur. All interest earned on State Grant funds must be accounted for separately, to distinguish it from all other funds. The interest earned on these funds cannot be expended until the MCVFRA and the Fire and Rescue Commission provide their formal approval.

- a. The accounting for State Grant allocations and expenditures is tracked by activity within each separate fiscal year, and also by a perpetual accounting over the life of funds received.
- b. Each LFRD and the MCFRS Budget Office must maintain a perpetual accounting of its State Grant activity, referred to as the State Grant “Inventory” or “History,” including:
  - all State Grant funds allocated to each LFRD from FY 86 through the present;
  - the date, amount, and description of all State Grant Fund expenditures of each LFRD, from FY 86 through the present;
  - the date, amount, and description of all allocation amendments (i.e., the reprogrammed or transferred funds that were originally allocated for one purpose, but were later changed to another purpose);
  - the amount of interest earned on each LFRD’s State Grant Funds, but not yet allocated; and
  - the net total of each LFRD’s unspent State Grant Funds.

2. **Submission and Approval of State Grant Fund Requests, in accordance with *Sen. William H. Amoss Fund Procedures, FRC Policy No. 03-07.***

- a. When State funding becomes available, MCVFRA’s State Grant Committee will send an application package to each LFRD. The LFRD must then identify and prioritize its needs according to Sen. Amoss’ “508” Fund guidelines, and propose a use for these funds within those guidelines. When a need is identified, the LFRD must develop adequate justification to allow its proposal to compete favorably with proposals from other LFRDs. State Grant Funds must be spent only for items and services used to:
  - acquire or rehabilitate fire or rescue apparatus;
  - acquire or rehabilitate capital equipment used in connection with fire, rescue, and EMS apparatus; and
  - rehabilitate facilities used primarily to house firefighting apparatus, equipment, ambulances, and rescue vehicles.
- b. The LFRD President must forward the completed request for State Grant Funds to MCVFRA’s State Grant Funds Committee for its

review and recommendation to the Commission. The FRC may request more information on the LFRD's proposal, or it may approve or reject it. The FRC must then forward approved applications for the distribution of funds to OMB, the County Executive, and the County Council for final review and approval.

- c. When the Council has approved the State Grant funding, an agreement will be forwarded to the LFRD President. The LFRD President reviews and signs the agreement, indicating his/her concurrence with any stipulations included, and returns the agreement to the Office of the Fire Administrator. The MCFRS Budget Office then transfers State Grant Funds to the designated bank accounts, where they are to be accounted for separately from all other funds.

3. **Budget Management of State Grant Funds.** The MCVFRA and the County allocate State Grant Funds for specific purchases or expenditures, based upon the LFRD's requests submitted on its State Grant Fund Application. The LFRD may expend those funds only as specified in the grant application, and must obtain approval from the MCVFRA and the FRC before it may expend funds for a different purpose. The LFRD must obtain the formal approval of the MCVFRA and the FRC before it may expend any interest or dividends earned, or surplus derived, from State Grant Fund accounts and investments. All State Grant Fund allocation approvals and amendments must be documented in separate "Operating Budget Agreements/Amendments" between the FRC and the LFRD. These amendments are generated by the MCFRS Budget Office.

State Grant Funds must be segregated from all other funds, and must be tracked by both fiscal year allocation and project name. These Funds cannot be spent before the Council's approval, and "loans" cannot be taken from County tax funds in anticipation of the receipt or approval of Grant Funds.

4. **Reporting State Grant Funds.**

- a. An accounting of each fiscal year activity is required for the annual LFRD tax fund audit, and for the State/County audit report. At least once each year, the MCFRS Budget Office will request all LFRDs to update their State Grant inventory and monies, and submit copies of State Grant bank and investment account statements, and copies of documentation (Purchase Orders, invoices, and checks) for all expenditures made since the last request. Upon receipt of this request, the designated LFRD person must update the State Grant Inventory with any allocations, amendments, expenditures, and/or interest earned information not currently included. The LFRD must then send the updated State Grant Inventory to the MCFRS Budget Office with all supporting

documentation attached. The MCFRS Budget Office will then update the information, and transmit the newly-updated Inventory to the LFRD for its files. The LFRD's President must review the updated Inventory for accuracy before it is filed.

- b. Each LFRD's Treasurer or designee must maintain a State Grant Fund file, in chronological order, with copies of all applications, agreements, amendments, and inventories. For accounting purposes, bank/investment account statements, cancelled checks, Purchase Orders, and invoices must be maintained in a separate file, by fiscal year.
- c. When purchases are made using a combination of State Grant Funds and County Tax Funds and/or LFRD funds, a separate check must be written from each fund, and the check number(s) and date(s) must be written on the invoice and other required reports.
- d. Only vendor invoices for payment are acceptable for audit purposes; estimate sheets, vendor letterhead, and/or purchase orders are not acceptable. See Appendix B for a sample of a State Grant Fund Inventory.

**V. ACCOUNT DESCRIPTIONS AND PROCEDURES.** The Chart of Accounts is a complete list of individual components or line items (accounts) that track specific types of expenses or revenue (income). Summary reports may highlight various issues or provide different levels of detail by how related line items may be placed together, or aggregated, in a report.

**A. GENERAL FUND ASSETS.**

- 1. **Cash.** Includes petty cash, checking accounts, etc. Record any service charges included on the LFRD bank statement as an expenditure in the current fiscal year.
- 2. **Investments.** Includes saving accounts, CDs (certificates of deposit), etc.
- 3. **Monies Due from Montgomery County.** Includes an account receivable established when the County sends a letter to the LFRDs each year that reconciles the funds appropriated to each LFRD, to funds the County has disbursed to the LFRDs, and expended on behalf of the LFRDs. At the bottom of this letter, the County indicates whether any funds are still owed to the LFRDs as of year-end.
- 4. **Accounts Receivable.** Prepare this detailed list at fiscal year-end, indicating all outstanding receivables that constitute the final accounts

receivable balance. The LFRD Treasurer must analyze the accounts receivable general ledger account at year-end, and consider each component of this account to determine whether:

- each receivable is still outstanding;
- each receivable is collectible; and
- all receivables have been recorded.

## **B. LIABILITIES.**

1. **Due to Montgomery County.** These accounts create a current liability. The annual budget letter that the County sends to each LFRD lists any amounts that are due to the County. These payables result from the County incurring more expenditures on behalf of an LFRD than was originally appropriated. The monthly payment allotment that the County sends to each LFRD during the fiscal year is calculated based on each LFRD's total annual appropriation, less the amounts the County anticipates expending on the LFRD's behalf, plus or minus the fund balance for the previous year, divided by twelve months. If the County's disbursements on behalf of the LFRD are overspent, too much money has been distributed to the LFRD, and a refund is promptly due to the County.
2. **Accounts Payable.** Each time goods and/or services are received from a vendor, an accounts payable entry is recorded. The LFRD's Treasurer must examine the balance remaining in this account on June 30<sup>th</sup> of the current fiscal year to ensure that it contains only valid payables, and evaluate all invoices dated after June 30<sup>th</sup> to determine whether the goods were received or services rendered before June 30<sup>th</sup>, making them a current year liability. The Treasurer must then prepare an expenditure listing all the accounts payable that make up the balance in the general ledger.

## **C. LFRD FUND BALANCE.**

1. **Reserved for Encumbrances.** Encumbrances represent the estimated amount of expenditures for goods and services that have been ordered but were not received. An encumbrance does not constitute an expenditure or liability of the LFRD, but is a reserve against the fund balance that is recorded when the Purchase Order was initiated.

On June 30<sup>th</sup>, each LFRD should prepare a listing of all encumbrances that have not been expended and are still in the "Reserved for Encumbrances" account to be provided to the auditors. This list should be matched with the executed Purchase Orders and examined to determine whether the funds should remain encumbered, or if the designated authority should remove the encumbrance from the LFRD.

2. **Account Reserved for State Grant Revenue.** This account indicates the current amount equal to the cash balance of all the State Grant accounts and investments, including all interest, dividends, and unspent Grant Funds in the current and all previous years.

#### **D. REVENUE.**

1. **Montgomery County Revenue.** Throughout the year, each LFRD must record in its general ledger the monthly allotments received from the County, and monies that the County has spent on the LFRD's behalf, as detailed in the FAMIS report periodically sent by the County.
2. **State Grant Revenue.** The funds that the LFRD receives from the State Grant Fund are indicated on the County's reconciliation letter. The LFRD Treasurer must reconcile this "State Grant Revenue" account in the same manner as the "Montgomery County Revenue" account.
3. **Miscellaneous.** Other funds received (see Sections H.5. and H.6. below for guidance on Bank and Investment Interest/Dividends and Other Income).

#### **E. EXPENDITURES.**

1. **Personnel Services.** This account includes salary and fringe benefit expenditures paid by the County.
2. **Operating Expenses.** This account includes all expenditure activity that is neither personnel expenses, nor capital expenditures. Examples include utilities, telephone charges, uniforms, food costs, etc.
3. **Capital Outlay.** This account includes expenditures that are made to acquire fixed assets with a unit cost of over \$5000 (or the current County dollar limit), that have a economic life longer than one year, or that result in significant improvements to buildings.
4. **State Grant Expenditures.** The use of State Grant Funds is authorized only to acquire goods and services used in direct support of operations and fire services, as outlined in appropriate policies.

#### **F. PURCHASES.**

1. Consecutively numbered Purchase Orders (POs) must be used to purchase goods and services, except for normal monthly expenses such as utilities, gas, oil, etc.
2. Purchase Orders must be authorized as established by the LFRD's Board

of Directors, as specified in its by-laws, and/or its membership, before being sent to vendors, and must be properly recorded, e.g.:

- purchases may be authorized by the designated purchaser (OSC, administrative professional, etc.); and
  - purchases costing more than \$1000 must be authorized by the LFRD's Board of Directors, which may be more restrictive if it so chooses.
3. All expense authorizations should be in writing, unless an emergency exists. An "emergency purchase" is one that, if it were not made, would adversely impact operations, safety, and/or security.
  4. The authorized LFRD Treasurer or designee must sign all Purchase Orders to verify that sufficient funds remain, and to ensure proper recording of encumbered funds.
  5. The LFRD Treasurer or designee must record the associated liability when the Purchase Order is approved, and place Purchase Orders and other documentation in a file for review until they are acted upon.
  6. The LFRD Treasurer or designee must review and authorize (i.e., sign and date) all Purchase Orders before payment is made.

#### **G. RECEIVING.**

1. The individual who receives a delivery or order must sign for the shipment after verifying the accuracy of the delivery, and must immediately forward the appropriate paperwork (packing slip, invoice, etc.) to the LFRD's administrative office.
2. The appropriate authority must record the receipt of the goods and/or services.
3. The LFRD Treasurer or designee must inspect all invoices for mathematical and billing errors before final payment, and must pay bills promptly when the bill or invoice is received.
4. The treasurer or designee must stamp the invoice and supporting documents as "canceled" or "paid," and record the check number and date in the blank space used to cancel these documents.
5. When the invoice is paid, debit the account payable, and credit the cash account.



## H. REVENUES AND RECEIVABLES.

1. Maintain County revenue (i.e., tax/budget funds) and State Grant Funds in separate bank accounts, with separate accounting records.
2. **Regular Monthly Budget Allotments** that the LFRDs receive from the County are posted to the Fire Tax Levy budget income account in the fiscal year in which they were received. The LFRD Treasurer must post the amount that is due to the LFRD for the fiscal year, but remains unpaid at year-end, to Fire Tax Income and Accounts Receivable budgets.
3. **Allotments for County Personnel Costs** are recorded as revenue for the funds paid by the County on behalf of the LFRD. The LFRD designee must record this revenue through a journal entry as a debit to the Expenses Paid (e.g., Salary and Fringe Benefits), and a credit to Fire Tax Levy Income.
4. **State Grant Funds** are posted by the LFRD Treasurer in the fiscal year in which they are received. State Grant Funds are being reported on the cash basis of accounting, and Receivables are recorded at year-end for unpaid amounts. The expenditure of interest and/or dividends generated by these funds requires prior FRC and MCVFRA approval.
5. **Bank and Investment Interest/Dividends** are posted from tax fund accounts as interest income. They are considered “unreserved/undesignated income” in the fiscal year during which they are received, but will be shown as “designated” in a future year. These funds ***cannot be spent in the current fiscal year***, but will be available to the LFRD in the second fiscal year after earning interest and dividend income. In calculating its monthly allotments to the LFRD, the County reduces the funds sent by the amount of interest and dividend income designated to the current fiscal year.
6. **Other Income**, including pay phone commissions, leases, rent, etc., are posted as “Other Income” and considered “Unreserved/Undesignated Income” in the fiscal year received, but will be shown as “Designated” in a future year. These funds ***cannot be spent in the current fiscal year***, but will be available to the LFRD in the second fiscal year after earning interest and dividend income. In calculating its monthly allotments to the LFRD, the County reduces the funds sent by the amount of interest and dividend income designated to the current fiscal year.
7. **Insurance Reimbursements, Gas Tax Refunds, and any other Refunds for Goods and Services** are credited against the budget expense account that incurred the original expense. Reduce expenditures in that budget account if the claim was dated on or before June 30<sup>th</sup> of that year. If the claim is dated after June 30<sup>th</sup>, it will become a Miscellaneous

item in the following year. The LFRD Treasurer or designee should maintain a separate file for each claim, and include expenses related to that income.

8. **Stale and/or Void Dated Checks.** Voided checks will result in a debit to Cash, and a credit to Accounts Payable. If the check is reissued before year-end, reduce the Payable and Cash by the same amount. If the check will not be reissued, reverse the Payable if this occurs within the current year. If it does not occur within the current year, charge it to Miscellaneous Income.
9. **Due from Montgomery County.** When the LFRD Treasurer receives the year-end County reconciliation letter (see Appendix C.), he/she must compare all items listed in the letter with his/her own accounting records. If all financial activity has been properly recorded in the LFRD's general ledger, the amount listed in the letter as "Due to the Corporation" should equal the amount recorded in the LFRD's general ledger as "Due from the County." If these amounts do *not* agree, the LFRD Treasurer or designee must take the steps below:
  - a. The original County Appropriation and any Supplemental Appropriations of tax funds listed in the County's letter should agree with copies of the appropriation documents maintained by the LFRD. The LFRD's "Resources to Fund the Current Year Operations" indicated in the letter should equal the "Unreserved Fund Balance" designated for future expenditures from the prior year's financial statements. This figure should be identical to the "Unreserved/Undesignated" fund balance on the financial statements from two years previous. The LFRD Treasurer or designee must review the amounts listed as Salaries, Fringe Benefits, Insurance, and Miscellaneous Expenditures for accuracy.
  - b. The amount of tax funds sent directly to each LFRD during the current fiscal year should equal the amount of cash received from the County that was recorded in the LFRD's cash receipts journal. This section of the County's letter shows the amounts transferred that relate to the current year's appropriation. If any tax funds were sent during the fiscal year that do not relate to the current fiscal year, those amounts are listed separately at the bottom of the County's letter.
  - c. The County tax funds that are "receivable" typically consist of a combination of payments still to be mailed to the LFRD by the County, and funds that the County encumbered on behalf of the LFRD. Add these two amounts in the County's letter, and compare the sum to the "Due from Montgomery County" general ledger account.

**Note:** If monies are due **to** Montgomery County and **from** Montgomery County simultaneously, record both entries separately to fully account for each transaction.

The guidance above reflects the most common types of revenue encountered. However, additional types of revenue may be received and will require posting. Consult with an accounting professional to determine the correct way to post other types of revenue.

- I. **PETTY CASH FUNDS** must be maintained in a specified amount; document all withdrawals by an invoice or receipt. Account for the Petty Cash Fund at the end of each month; the total of cash and receipts must equal the original specified amount. After replenishing the fund, record the expenditures in the general ledger. ***The LFRD Treasurer must complete this procedure at the end of the fiscal year.***
  
- J. **FIXED ASSETS.**
  1. Each LFRD must maintain detailed property records of all significant self-constructed, donated, purchased, or leased assets costing \$1000 or more, unless they become a permanent part of the structure or surrounding property.
  2. Each LFRD Treasurer or designee should identify fixed assets with numbered tags, or other means of identification, and take a physical inventory of fixed assets once each year.
  3. Each LFRD's corporate by-laws should include a policy on accounting for new acquisitions, and disposing of used, worn, and replaced property purchased both with tax funds, and with non-tax funds.
  
- K. **YEAR-END CLOSING PROCEDURE.** The LFRD Treasurer or designee must use the procedures below to analyze year-end account balances, close-out account balances, and prepare trial balances before the financial statements are drafted. The services of a professional CPA will facilitate this process.
  1. **Montgomery County "Letter."** The MCFRS Budget Office will send each LFRD a year-end letter advising the LFRD President of the amounts that are due to the County. The LFRD Treasurer must prepare a year-end reconciliation of tax funds to verify whether any funds are due to the County, and record those amounts in the general ledger.
  2. **Adjusting Entries.** Before preparing the June 30<sup>th</sup> trial balance, the LFRD Treasurer should adjust some of the accounts in the general ledger, e.g., the "due from" or "due to" Montgomery County accounts. The LFRD must include all of the LFRD's assets, liabilities, and tax fund balances as of the close of business on June 30<sup>th</sup> of the current fiscal year. The operating budget accounts should include all the revenue and expenditures applicable to the current fiscal year; they must balance sheet accounts **not** include any revenue and expenditures relating to the

following fiscal year. To determine whether a general ledger account reflects accurate information at year-end, the LFRD Treasurer should analyze the account and determine whether the examples below apply.

- a. **Items that do not Need Adjustment** include recorded costs that may cover two periods, e.g., a magazine subscription paid in March for a subscription period that extends through September; utility bills covering more than one period, etc. An LFRD Treasurer does not typically need to record this type of adjusting entry.
- b. **Items Requiring Adjustment** by the LFRD Treasurer may include “Unrecorded Expenditures,” e.g., an invoice received in July for services that were performed in June; or “Unrecorded Revenue,” etc., if the County sends the last monthly allotment for the fiscal year in July.

**L. FILES THAT THE LFRD TREASURER SHOULD MAINTAIN.**

1. **Invoices.** File chronologically by month, or alphabetically by vendor, with the Purchase Order and any supporting documentation.
2. **Bank Checks.** Keep with each Purchase Order, or in a separate sequential file.
3. **Corporation Minutes.** Type the minutes of the Board of Directors meetings, and include the financial statements presented to the Board of Directors for acceptance.
4. **Fixed Assets.** List fixed assets purchased with tax funds, including purchase dates, cost, inventory tag number, serial number, and description.

**M. LFRD INTERNAL CONTROLS** are designed to maintain the integrity of the process for keeping and disbursing tax monies allocated to the LFRD. Use the checklist below to meet audit requirements.

1. **Cash.** Deposit as soon as it is received.
2. **Checks.** Stamp a restrictive endorsement (“For Deposit Only – Bank Account #####”) on the back as soon as they are received.
  - a. All disbursement checks must have two signatures.
  - b. LFRD authorized check signers must review invoices and supporting documents before checks are validated and signed. The signer must verify the vendor, amount, and reasonableness of the expenditure before signing the check.

- c. Do not make checks out to “cash” or “bearer;” make the check payable **only** to an individual, business, or vendor.
  - d. The payee of a particular check must not be the check signer.
  - e. Update bank signature cards immediately when there is any change of authorized bank account signatories.
3. **Bank Accounts.** Reconcile all accounts monthly.
- a. Compare individual checks to the amounts recorded in the cash disbursement journals.
  - b. Examine the signatures and endorsements on checks on a random sample basis.
  - c. Account for the numerical sequence of all checks.
  - d. Reconcile the general ledger balance to equal the adjusted balance, in accordance with the bank reconciliation.
  - e. Compare deposit amounts and dates with cash receipt entries.
  - f. Investigate checks that are outstanding for longer than 45 days.
  - g. Review all bank accounts to ensure they do not exceed minimum financial institution (FDIC, FS/LA) insurance levels.
  - h. Secure checks and ensure that software is password protected.
4. **Credit Cards** must be carefully controlled if they are used by the LFRD.
- a. Only persons who are authorized to make purchases may use the cards for official LFRD business.
  - b. Do **not** use debit cards to transact any LFRD business.
  - c. Do **not** permit cash advances at any time.
  - d. The LFRD Treasurer must carefully scrutinize bills when they are received to ensure that purchases meet MCFRS goals and objectives.
5. **Internet Purchases** must be carefully controlled, and may be made **only** as approved by the LFRD’s Board of Directors.
6. **LFRD Mail** must be delivered **only** to the LFRD’s corporate address, or to

the LFRD-authorized Post Office Box number, *not* to the homes of officers, employees, or staff.

## **VI. PROCUREMENT PROCESS – MANDATORY REQUIREMENTS FOR ALL LFRDS, in accordance with County Code Sec. 21-27.**

### **A. PURCHASING AUTHORITY.**

1. **Purchase Under \$1000:** As allowed under current law, *Purchasing, Contracting, and Fixed Asset Management Procedures*, FRC Executive Regulation 25-96, adopted 4/29/97.

Each LFRD Treasurer must designate at least one purchasing officer who is authorized to initiate the purchase of routine goods and services not to exceed \$1000 per purchasing activity. This individual must have access to information on available funds to avoid exceeding budget limits.

2. **Purchases Exceeding \$1000:** A proposed purchase exceeding \$1000 must be approved through the LFRD's established review authority, or its Chief, President, or Board of Directors/Trustees before it is executed.

### **B. REQUIRED DOCUMENTATION.**

1. **Purchases Under \$5000:** Obtain at least three oral quotes, if possible, for all purchases less than \$5000, except for the payment of utility expenses. If three bids cannot be obtained, or if there is insufficient justification for sole source procurement, the LFRD's Chief or President must document this and make it part of the purchase record.
2. **Purchases Exceeding \$5000:** Obtain at least three written quotes for all purchases exceeding \$5000. If three bids cannot be obtained, or if there is insufficient justification for sole source procurement, the LFRD's Chief or President must document this and make it part of the purchase record.

The requirement for quotes can be satisfied by the Board of Directors annually reviewing items that are purchased either frequently or routinely.

### **C. AWARDING CONTRACTS.**

1. All contract awards must be based upon the lowest price, all other factors (i.e., quality, level of service, compatibility with existing equipment and structure, warranty terms, etc.) being equal.
2. LFRDs may participate or "bridge" onto existing State or local government contracts without soliciting bids, if the original contract was awarded through a competitive process and was not a sole source award. If a

bridge contract is used, obtain a copy of that contract and file it with the corresponding paperwork. For information on this process, contact the MCFRS Office of Corporate Development.

3. When awarding a contract, consider using County-certified or existing contractual vendors.

#### **D. EMERGENCY PURCHASES.**

1. Prior approval is not required to initiate the emergency repair of fire and rescue vehicles or buildings. However, the LFRD's Chief and President must be kept informed of the potential costs. Emergency repairs must be documented with a full written rationale, including completion of a normal Purchase Order within 48 hours of the occurrence.
2. When these purchase procedures cannot be followed because of an emergency procurement, or if sufficient bids could not be obtained, the LFRD should carefully document the exact circumstances regarding the purchase, and include this information in the file with the Purchase Order and other documents. This information should include:
  - the nature of the emergency;
  - a written record of the efforts to solicit bids;
  - information available on other sources of pricing;
  - any other pertinent information; and
  - signatures indicating the review and approval of the appropriate LFRD officials.

### **VII. FINANCIAL REPORTING.**

#### **A. REPORTS.**

1. Monthly financial reports should be prepared for and reviewed by each LFRD's Board of Directors. The review should include a comparison of budgeted amounts to the actual amount spent, year-to-date. Most accounting software generates this report as a budget comparison.
2. All accounting records and books must be secured at all times. Software must be password protected, with access limited.
3. Maintain accurate records and minutes of the Board of Directors meetings; attach a review of the monthly financial reports to the minutes when they are filed.

**VIII. COUNTY AUDIT PROCEDURE FOR ALL LFRDS:  
MANDATORY REQUIREMENTS Per County Code Sec. 21-24 (D.)**

- A. REQUIRED FOR AUDITORS.** Each year, the County's Office of Legislative Oversight (OLO) contracts with an outside audit firm to audit the tax-related accounts of the LFRDs. When this audit is complete, items requiring further action are brought to the LFRDs' attention. Ultimately, the auditor's report is forwarded to the County Council for its review.

After the close of the fiscal year, each LFRD receives a letter from the auditing firm advising it of the impending audit and notifying the LFRD of the items it must prepare for the auditors' visit. These items may include:

1. a copy of the LFRD's written accounting and internal control policies and procedures;
2. the budget for the end of the last fiscal year;
3. a list of all bank accounts, CDs, etc., that were used during the audit year for Fire Tax District and State Grant Funds, including the bank's name, address, account number, and type of account(s) (checking, savings, etc.);
4. the name(s) and address(es) of any attorneys consulted during the year;
5. a listing of the names of Board members and management personnel;
6. a listing of the names of the LFRD's employees;
7. the Chart of Accounts, i.e., line items, budget accounts, etc.;
8. the June 30<sup>th</sup> trial balance of the audit year;
9. the June 30<sup>th</sup> bank reconciliation for the audit year;
10. the schedule of accounts payable as of June 30<sup>th</sup> of the audit year; and
11. the schedule of encumbrances as of June 30<sup>th</sup> of the audit year.

Minutes of the Board of Directors and copies of all financial documents must be made available.

Since many of the firms and attorneys with whom the LFRD conducts business will not release information to the auditors unless requests are submitted on LFRD letterhead, the auditors may request a supply of letterhead to facilitate the exchange of communication between themselves and those firms. The auditors are required to use this letterhead responsibly, and will copy the LFRD on all



correspondence using its letterhead.

- B. TIMING.** When each of the items indicated above is prepared, the auditors' fieldwork, usually planned for October and November, is ready to begin. The auditors will arrange dates for fieldwork well in advance with representatives from each LFRD. The LFRD should make every effort to adequately prepare for the annual audit before the scheduled date, and if the LFRD cannot complete each of those items by the first day of fieldwork, it must notify the auditors immediately. The auditors may then reschedule fieldwork when all items are available.

## **IX. DISASTER RECOVERY AND BACK-UP PROCEDURE.**

All LFRD financial records must be safeguarded to maintain their integrity, limit their access only to authorized users, and enable them to be reconstructed in case of a disastrous event. To achieve these precautions, follow the procedure below.

- A.** At the end of each week, the LFRD's designee must back up all accounting records by transferring files to a back-up disk, labeling it appropriately, and storing it in a secure, locked area.
- B.** At least quarterly, produce a second back-up and store it at an off-site location, i.e., at an accountant's office, in a safe deposit box, or at a remote secure server.
- C.** All computers containing financial records and software must be virus protected by a program that is constantly updated.
- D.** All programs containing financial records and software must be password-protected, with access limited to an absolute minimum. Passwords must be changed at least every six months. These units should be stand-alone computers, or they must be protected to prevent network or internet access unless through a firewall.

## **X. MISCELLANEOUS.**

- A. VOLUNTEER FUNDS.** Although this Guideline does not address the accounting process for volunteer funds, LFRDs have funding sources other than tax funds, and may purchase goods and services with both tax funds and LFRD funds. When LFRD funds are used instead of tax funds pending reimbursement, appropriate LFRD personnel must maintain proper documentation to clearly identify the sources of funds and the justifications for their expenditures.
- B. TIME SHEETS.** LFRD employees and their supervisors must complete and sign their timesheets before forwarding them to the LFRD's administrative office, where the timesheets will be processed in accordance with County policy, and then forwarded to the County's Payroll Office. Supervisors must verify:

- the accuracy of the hours worked;
- that the overtime recorded on the timesheet matches overtime slips;
- that all sick leave is properly documented; and
- that any time charged for lateness is adequately documented.

**C. LOSAP ACTIVITIES.** See FRC Executive Regulation 04-02, *Administration of the LOSAP Program*

**D. STANDBY FOOD EXPENSES.** See FRC Executive Regulation 03-02, *Volunteer Stand-by Food Program*

**E. LOCAL AND NON-LOCAL TRAVEL EXPENSES.** See FRC Executive Regulation 03-03, *Local and Non-Local Travel Guidelines*

**F. CORPORATION LEGAL EXPENSES.** See FRC Executive Regulation 03-06, *Corporation Legal Expense Policy*

## Glossary

**Agency.** A major organizational component that receives Montgomery County funding, including Montgomery County Government executive departments, legislative offices and boards, Circuit Courts, and judicial offices; Montgomery County Public Schools (MCPS); Montgomery College (MC); Maryland-National Capital Park and Planning Commission (M-NCPPC); the Washington Suburban Sanitary Commission (WSSC); Housing Opportunities Commission (HOC); Washington Metropolitan Area Transit Authority (WMATA); and Montgomery County Revenue Authority.

**Appropriation.** The authority to spend a specific dollar amount to fund an approved work program during a fiscal year. The County Council makes separate appropriations to each capital project and to Personnel Costs, Operating Expenses, and Capital Outlay for each County operating department.

**Appropriation Category.** An element of the County Council's appropriation for each County department; i.e., Personnel Costs, Operating Expenses, or Capital Outlay.

**Authorized Positions.** The number of positions authorized by the County Executive in an agency's approved personnel complement.

**Balance Sheet.** An accounting of an LFRD's assets, liabilities, and equity as of a specific date.

**Budgetary Basis.** An accounting basis that may be used by an LFRD during the fiscal year; similar to the modified accrual basis of accounting, except that under a budgetary basis, encumbrances are recorded as expenditures, instead of as a reservation of the fund balance. The budgetary basis must be converted to the modified accrual method at the end of each fiscal year.

**Capital Budget.** The annual request for capital project appropriations. Project appropriations are normally made only for the amount necessary to enable the implementation of the first year of the capital program expenditure plan. However, if contracted work is scheduled that will extend beyond the upcoming fiscal year, the entire contract appropriation is required, even if the work and expenditures will be spread over two or more fiscal years.

**Capital Improvements Program (CIP).** The comprehensive presentation recommended and adopted in even-numbered calendar years, encompassing capital project expenditures estimates; funding requirements; capital budget requests; and program data for the construction of all public buildings, roads, and other facilities planned by County agencies over a six-year period.

**Capital Outlay.** An appropriation and expenditure category for government assets with a value of \$5,000 or more, and a useful economic lifetime of more than one year.

**Carryover.** The process in which, at the end of one fiscal year, the appropriation authority for previously approved encumbrances and unexpended grant and capital

funds is carried forward to the next fiscal year.

**Cash Basis.** An accounting basis that recognizes when cash is received. Expenditures are recorded only when the cash is disbursed.

**Chargebacks/Charges to Others.** In the budget presentation, costs of services or work years that are chargeable to another agency or fund.

**Consumer Price Index-Urban (CPI-U).** A commonly-accepted indicator of inflation as it applies to consumer goods, including the supplies, materials, and services required by the County.

**Current Revenue.** A funding source for the Capital Budget that is provided for annually within the appropriations. Current Revenue is not eligible for debt financing, nor to substitute for debt-eligible costs.

**Deferred Revenue.** Income due from the County at the end of a fiscal year that is not received until the following fiscal year.

**Department.** A primary organizational unit within Montgomery County Government, including its principal offices, boards, and commissions.

**Division.** A primary organizational unit within a government department or agency that is usually responsible for administering basic functions or major programs of a department

**Division of Fire and Rescue Services (DFRS).** The Division of the Montgomery County Fire and Rescue Service comprising career employees and DFRS volunteers that shares with the Local Fire and Rescue Departments the responsibility for providing direct fire suppression, rescue, and emergency medical services.

**Division of Volunteer Fire and Rescue Services (DVFRS).** The Division of the Montgomery County Fire and Rescue Service that includes the Local Fire and Rescue Departments, that shares with the DFRS the responsibility for providing direct fire suppression, rescue, and emergency medical services.

**Emergency.** An unsafe condition endangering health, life or property, possibly resulting in unforeseen curtailment or termination of an essential service, that requires immediate corrective action.

**Employee Benefits.** Payments made by an employer for Social Security, retirement, and group insurance for its employees.

**Employee –Temporary.** An individual who occupies a position required for a specific task or a period not to exceed 12 months, or a position that is used intermittently on an as-needed basis (seasonal, substitute, etc.).

**Encumbrance.** An accounting commitment that reserves appropriated funds for a future expenditure. The total of expenditures and encumbrances for a department or agency in a fiscal year, or for a capital project, may not exceed its total appropriation. This term also refers to the commitments related to unperformed or pending contracts for goods or services.

**Expenditure.** Funds used generally to purchase goods and services, to pay salaries and benefits, and to pay debt service.

**Expenses.** Liabilities incurred from carrying out operations.

**Fire Administrator.** The non-uniformed department head of the MCFRS who is appointed by the County Executive. The Fire Administrator serves as ex officio chair of the Fire and Rescue Commission and is responsible for implementing and enforcing Commission policies and regulations; administering all fire and rescue services provided in the County; and supervising the Chiefs of both the DFRS and the DVFRS.

**Fire and Rescue Commission (FRC).** A body comprised of seven voting members who are appointed by the County Executive and confirmed by the County Council. The Commission is charged with ensuring the provision of effective, efficient, and equitable fire, rescue, and emergency medical services County-wide, and providing the policy, planning, and regulatory framework for all firefighting, rescue, and emergency medical service operations.

**Fiscal Year (FY).** The 12-month period to which the annual Operating and Capital budgets and their appropriations apply. Montgomery County's fiscal year begins on July 1 and ends on June 30.

**Fixed Assets.** Assets with a unit cost of more than \$5,000, and/or a useful life of more than one year, that are intended to continue to be held or used, e.g., land, buildings, machinery, furniture, and other equipment.

**Fund Balance.** The amount of money left in a fund after encumbrances and expenditures.

**General Fund.** The principal Operating Fund for the County government, used to account for all financial resources except those required by law, County policy, and generally accepted accounting principles to be accounted for in another fund.

**General Ledger.** Details of all financial events transacted during the current fiscal year. Accounts in the general ledger include assets, liabilities, fund balances, revenue, and expenditures.

**General Wage Adjustment (GWA).** An increase in salaries, other than seniority-based merit increases. GWA has been referred to as the "Cost-of-Living" (COLA) adjustment.

**Grant.** A payment from one level of government to another, or from a private organization to a government entity, made for specified purposes with funds spent only for that purpose.

**Lapse.** The reduction of gross personnel costs by an amount believed unnecessary because of turnover, vacancies, and normal delays in filling positions.

**Level of Service.** The existing or current services, programs, and facilities provided by a government to its citizens. The level of service may increase, decrease, or remain the same, depending upon alternatives and available resources.

**Liability.** The obligation to satisfy a current debt with future revenue.

**Local Fire and Rescue Department (LFRD).** The component of the Montgomery County Fire and Rescue Service that provides direct fire suppression, rescue, and emergency medical services, in conjunction with the Division of Fire and Rescue Services.

**MARC.** Acronym for Maximum Agency Request Ceiling, the dollar amount provided to each County division at the start of the budget year. This is the target amount of funding the County anticipates providing to each agency/department, and for the next year's planning.

**Merit System Employee.** An employee of Montgomery County Government who is subject to the provisions and protections of the County's Merit System. LFRD employees are not County employees, but are employed under a separate merit system.

**Modified Accrual Basis.** The accounting basis that must be used by the LFRDs to account for County Tax Fund revenue and expenditures in the period in which they occur. If expenditures are made or revenues are received within 90 days before the end of the fiscal year and can be attributed to that year, they are recorded to that year.

**Montgomery County Fire and Rescue Service (MCFRS).** The combined service comprising the Division of Fire and Rescue Services and the Division of Volunteer Fire and Rescue Services, which includes the Local Fire and Rescue Departments.

**Montgomery County Revenue.** Monthly allotments received from the County, and monies spent by the County on the LFRD's behalf.

**Non-Departmental Account (NDA).** A budget category used to account for resources used for County-funded activities that do not fall within the functional assignment of a specific department, or for expenditures related to more than one department.

**Office of Legislative Oversight (OLO).** The County department that is responsible for monitoring the County's tax fund audit process.

**Office of Management and Budget (OMB).** The County department that is responsible for budget management and oversight.

**Operating Budget.** A comprehensive plan by which an organization's operating programs are funded for a single fiscal year.

**Operating Expenses.** Those costs, other than expenditures for Personnel Costs and Capital Outlay, that are necessary to support the operation of the organization, e.g., charges for contractual services, telephones, printing, motor pool, and office supplies.

**Personnel Complement.** The full and part-time positions, work years, and costs related to the employees of a department or agency.

**Personnel Costs.** Expenditures made for the salary, wages, and benefits payable to employees.

**Program.** A primary service, function, or set of activities that addresses a specific responsibility or goal within an agency's mission. A program encompasses all associated activities directed toward the annualization of an established objective.

**Program Description.** A statement of the purpose for a program, explaining what it does and how it contributes to a department's mission. A program description identifies activities that will accomplish specific functions or meet specific responsibilities.

**Program Measurement.** The quantifying of results or outcomes in the community by evaluating organizational or program performance through a family of measures (outputs, inputs, quality/effectiveness, and efficiency) in the department at the program, or program element level.

**Purchase Order (PO).** A uniquely-numbered form on which to record the information and approval signatures necessary to purchase goods and services.

**Reallocation.** The transfer of unencumbered appropriations among line items.

**Reimbursement.** Funds received that directly offset a related expense incurred, i.e., insurance reimbursement, rebates, returns.

**Reserved for Encumbrances.** A reservation of funds set aside to cover the estimated amount of expenditures that would ultimately result if unperformed contracts in process at year-end are completed. An encumbrance does not constitute an expenditure or liability of the corporation.

**Revenue.** All funds that the LFRD received from all sources.

**Risk Management.** A process used to identify and measure the risks of accidental loss, to develop and implement techniques for mitigating risk, and to monitor results.

**Salary Schedule.** A listing of the minimum and maximum salaries for each grade level in a classification plan for merit system positions.

**Self-Insurance.** The funding of liability, workers' compensation, unemployment, and life and health insurance needs through the County's own financial resources, rather than through commercial insurance plans.

**Spending Affordability Guideline (SAG).** An approach to budgeting that assigns expenditure ceilings for the forthcoming budget year, based on expected revenues and other factors. Under Section 305 of the County's Charter, the County Council is required to establish spending affordability guidelines for both the capital and operating budgets.

**State Grant Revenue.** The pre-approved funds received from the State of Maryland that the County passes through to the LFRD. This figure is included in the County's reconciliation letter.

**Supplemental Appropriation.** An appropriation of funds above the amounts originally appropriated, to authorize additional expenditures that were not anticipated in the adopted budget. A supplemental appropriation is required to enable the expenditure of reserves or additional revenues received by the County through other sources.

**Tax-Supported Fund.** A revenue fund, either the General Fund or a special revenue fund, supported in part by tax revenues and included in the Spending Affordability Guidelines.

**Transfer.** A transaction that moves both the appropriation (authority) and the allotment (cash) from one appropriation category, e.g., Personnel, Operating Expenses, Capital Outlay, to another, via a written request (currently a BE Form).

**Unappropriated Reserves.** The planned-for excess of revenues over budgeted expenditures, within any of the various government funds.

**Unreserved, Undesignated.** An account representing the remaining fund balance after all designations and reservations have been accounted for in the general ledger.

**Workyear (WY).** A standardized unit for measurement of government personnel effort and costs. A work-year is the equivalent of 2,080 work-hours, or 260 workdays. This term is roughly equal to "Full-Time Equivalents."



## Appendix A.

### Line Items (Consolidated) by Appropriation Categories.

#### POINTERS

- V- Volunteer Support**
- E- Fire/EMS Supply**
- A- Administration**
- M- Vehicle Maintenance**
- B- Facility Management**
- P- Personnel Costs (Salaries and Fringe Benefits)**
- F- Public Education**
- S- Specialty Teams (if applicable)**

Current County		Previous County	
<u>Program Code</u>	<u>Line Item Description</u>	<u>Code</u>	<u>Pointer</u>
1000	Full Time Salaries	01	P
1002	Part Time Salaries	02	P
1360	Overtime	03	P
***1	SALARIES AND WAGES		P
1500	Social Security – FICA	08	P
***2	FICA		
1600	Group Insurance	09	P
***3	GROUP INSURANCE		
1800	Retirement	10	P
***4	RETIREMENT		
****	FRINGE BENEFITS		P
****	TOTAL PERSONNEL COSTS		P
2000	Accounting Services	733	A
2026	Legal Services	731	A
2307	Refuse Collection	636	B
2598	Remodeling	623	B
2599	Building & Grounds/Maintenance	627	B
3049	Communications	635	A
3249	Printing	723	A
3250	Postage	719	A
3400	Local Travel	791	V
3401	Non-Local Travel	787	V
3524	Fire Prevention	665	F

3549	Professional Training/Aids	643	V
3749	Subscriptions (and Dues)	771	V
3800	Office Supplies	707	A
3939	Medical Equipment/Supplies	691	E
4005	Service Awards	663	V
4102	Fire Suppression Equip/Supplies	757	E
4199	Other Equipment/Supplies	711	E
4203	Fuel	713	M
4207	Shop Equipment/Supplies	701	M
4239	Vehicle Maintenance	703	M
4449	Furniture & Appliances	625	B
4529	Clothing (and Gear)	631	V
4600	(Library) Books	687	V
4725	Small Tools	767	E
4799	Janitorial/Custodial	671	B
4899	Rental Equipment	739	B
5299	Station Utilities	807	B
6909	Miscellaneous Supplies	695	A
6950	Food	667	V
6951	Standby Food	668	V
6999	Miscellaneous	----	B

\*\*\*2 TOTAL OPERATING EXPENSES

7999	Capital Outlay	929	E
7999	Capital Outlay	929	M
7999	Capital Outlay	929	B
7999	Capital Outlay	929	A

\*\*\*3 TOTAL CAPITAL OUTLAY

INDEX TOTAL  
ORGANIZATION TOTAL

Current County <u>Program Code</u>	<u>Line Item Description</u>	Previous County <u>Program Code</u>	<u>Pointer</u>
1000	Full Time Salaries	01	P
1002	Part Time Salaries	02	P
1004	Personal Leave Days		
1110	Annual Leave Pay		
1120	Sick Leave Pay		
1130	Compensatory Leave Pay		
1140	Administrative Leave Pay		
1360	Overtime	03	P
***1	SALARIES AND WAGES		P
1500	Social Security – FICA	08	P
1501	Social Security – FICA Medicaid		
***2	TOTAL FICA		
1600	Group Insurance	09	P
1622	Kaiser		
1623	Optimum Choice		
1625	Dental		
1626	Caremark		
1627	Vision		
1630	Life Insurance – Empl.		
1633	Blue Cross Blue Shield POS		
***3	TOTAL GROUP INSURANCE		
1800	Retirement	10	P
***4	TOTAL RETIREMENT		
****	TOTAL FRINGE BENEFITS		P
***1	TOTAL PERSONNEL COSTS		P

2000	Accounting Services	733	A
2026	Legal Services	731	A
2307	Refuse Collection	636	B
2598	Remodeling	623	B
2599	Building & Grounds/Maintenance	627	B
3049	Communications	635	A
3249	Printing	723	A
3250	Postage	719	A
3400	Local Travel	791	V
3401	Non-Local Travel	787	V
3524	Fire Prevention	665	F
3549	Professional Training/Aids	643	V
3749	Subscriptions (and Dues)	771	V
3800	Office Supplies	707	A
3939	Medical Equipment/Supplies	691	E
4005	Service Awards	663	V
4102	Fire Suppression Equip/Supplies	757	E
4199	Other Equipment/Supplies	711	E
4203	Fuel	713	M
4207	Shop Equipment/Supplies	701	M
4239	Vehicle Maintenance	703	M
4449	Furniture & Appliances	625	B
4529	Clothing (and Gear)	631	V
4600	(Library) Books	687	V
4725	Small Tools	767	E
4799	Janitorial/Custodial	671	B
4899	Rental Equipment	739	B
5299	Station Utilities	807	B
6909	Miscellaneous Supplies	695	A
6950	Food	667	V
6951	Standby Food	668	V
6999	Miscellaneous	----	B
***2	TOTAL OPERATING EXPENSES		
7999	Capital Outlay	929	E
7999	Capital Outlay	929	M
7999	Capital Outlay	929	B
7999	Capital Outlay	929	A
***3	TOTAL CAPITAL OUTLAY		
	INDEX TOTAL		
	ORGANIZATION TOTAL		

<u>Current County Code</u>	<u>Line Item Description</u>	<u>Previous County Code</u>	<u>Pointer</u>
	VOLUNTEER SUPPORT		V
3400	Local Travel	791	V
3401	Non-Local Travel	787	V
3549	Professional Training/Aids	643	V
3749	Subscriptions (and Dues)	771	V
4005	Service Awards	663	V
4529	Clothing (and Gear)	631	V
4600	(Library) Books	687	V
6950	Food	667	V
6951	Standby Food	668	V
	FIRE/EMS SUPPLIES/EQUIPMENT		E
3939	Medical Equipment/Supplies	691	E
4102	Fire Suppression Equip/Supplies	757	E
4199	Other Equipment/Supplies	711	E
4725	Small Tools	767	E
7999	Capital Outlay	929	E
	VEHICLE MANAGEMENT		M
1000	Mechanics	----	P
4203	Fuel	713	M
4207	Shop Equipment/Supplies	701	M
4239	Vehicle Maintenance	703	M
7999	Capital Outlay	929	M

	FACILITIES MANAGEMENT		B
2307	Refuse Collection	636	B
2598	Remodeling	623	B
2599	Building & Grounds/Maintenance	627	B
4449	Furniture & Appliances	625	B
4799	Janitorial/Custodial	671	B
4899	Rental Equipment	739	B
5299	Station Utilities	807	B
6999	Miscellaneous	----	B
7999	Capital Outlay	929	B
	ADMINISTRATION		A
1000	Personnel	----	P
2000	Accounting Services	733	A
2026	Legal Services	731	A
3049	Communications	635	A
3249	Printing	723	A
3250	Postage	719	A
3800	Office Supplies	707	A
6909	Miscellaneous Supplies	695	A
7999	Capital Outlay	929	A
	PUBLIC EDUCATION		F
3524	Fire Prevention	665	F
	SPECIALTY TEAMS		S
	ORGANIZATION TOTAL		

**APPENDIX C- COUNTY RECONCILIATION LETTER**



**DEPARTMENT OF FINANCE**

Douglas M. Duncan, County Executive

Timothy L. Firestine, Director

XXXXXX VOLUNTEER FIRE DEPARTMENT

Dear Sir or Madam:

We provide herein a reconciliation of appropriation with disbursements and expenditures for FY-XX for the XXXXX portion of the Consolidated District (Index Code XXXXXXXX).

Original appropriation	\$XXXXXXXX
Appropriation revisions:	\$XXXXXXXX
	<hr/>
	XXXXXXXX
Less: Department's resources to fund FY-XX	<u>XXXXXXXX</u>
Total Accountability by County	<u>\$XXXXXXXX</u>
Disbursements:	
By County on behalf of Fire Department:	
Salaries	\$XXXXXXXX
Fringe	
FICA	XXX
Insurance	XXX
Retirement	XXX      XXXX
Miscellaneous	<u>  X            X</u>
	XXXXXX
By County directly to Fire Department	
During the year	XXX
Wire to be sent separately	<u>XXX      XXXXXXXX</u>
	\$XXXXXXXX
Other amounts paid during FY-XX affecting appropriation:	
508 funds paid directly to fire department	
CIP 508 funds paid directly to fire department	
Encumbered 508 funds at 6/30/XX carried forward to FY-XX	

**Division of the Controller**

## Appendix D

### Example of County Agency Codes.

Department	45	FRS MC Fire and Rescue Service
Division	4590	FRS Local Volunteer Fire Depts.
Section	459050	FRS District 5
Subsection	45905020	Gaithersburg FD
Index Code	45905020	

Finance-accting manual 4-2-04 BF wp