

# PAYROLL REVOLVING FUND AGREEMENT

## Crescent Fire Protection District

*An Agreement Between Crescent Fire Protection District and CBH CPAs & Advisors, PC*

*Reviewed by the Del Norte County Auditor-Controller's Office*

**Effective Date: September 14, 2026, subject to execution by both parties**

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### 1. Purpose and Background

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Crescent Fire Protection District (the “District”) relies on the Del Norte County Auditor-Controller's Office (the “County”) to process disbursements on the District's behalf. The County has determined that it cannot process District payroll and the associated federal and California payroll tax deposits within the time frames required to keep the District current with its payroll tax deposit obligations.

To solve this timing problem, the County approves the establishment of a revolving operating fund (the “Fund”), held in a bank account owned by the District, dedicated solely to the timely payment of District payroll wages and required payroll tax deposits. CBH CPAs & Advisors, PC (“CBH”) will process District payroll and reconcile Fund activity on a periodic basis, so that the County can review and approve actual expenditures before replenishing the Fund.

This Agreement is entered into by and between the District and CBH. The County Auditor-Controller's Office reviews and approves reimbursement requests under Section 6 and signs below to acknowledge that review, but is not a party executing this Agreement.

### 2. Definitions

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- **Fund Account:** the checking account established under Section 3, held in the District's name at Coast Central Credit Union.
- **Fund Ceiling:** the target balance of the Fund Account, initially \$100,000, to which the account is replenished following each reconciliation.
- **Payroll Costs:** gross wages and required employer and employee federal and California payroll tax withholdings and deposits directly associated with District payroll, and nothing else. Payroll Costs expressly exclude health insurance, retirement or pension contributions, workers' compensation premiums, and any other employee benefit or District expense.
- **Reconciliation Period:** the calendar quarter, aligned with quarterly federal Form 941 and California payroll tax filings, unless administratively adjusted to a monthly period in accordance with Section 9.
- **Backup Documentation:** the payroll summary report(s) described in Section 6, showing wages and payroll taxes paid from the Fund Account during the Reconciliation Period.

### 3. Establishment of the Fund Account

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- The District will open and own a checking account at Coast Central Credit Union, titled in the District's name and tax identification number, dedicated solely to the purposes of this Agreement (the “Fund Account”).

- Authorized signers on the Fund Account will be District officers only, consistent with the District's standard signing authority. CBH will hold no signature, ACH, transfer, or disbursement authority on the Fund Account under any circumstance.
- Upon execution of this Agreement, the County will transfer \$100,000 to the Fund Account, establishing the initial Fund Ceiling.
- As a public deposit, the Fund Account will be maintained at a depository authorized to accept public funds, collateralized as required by applicable law.

#### 4. Permitted Use of Funds

The Fund Account may be used solely to pay Payroll Costs — that is, District payroll wages and the associated required federal and California payroll tax deposits. The Fund Account may not be used to pay health insurance, retirement or pension contributions, workers' compensation premiums, or any other employee benefit, vendor payment, or District expense of any kind.

#### 5. Roles and Responsibilities

| Crescent Fire Protection District                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | CBH CPAs & Advisors, PC                                                                                                                                                                                                                                                                                                                                                                                                        | Del Norte County Auditor-Controller                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Owns and maintains the Fund Account at Coast Central Credit Union.</p> <p>District officers hold sole signature, ACH, and disbursement authority on the Fund Account.</p> <p>Executes payroll wage payments and payroll tax deposits from the Fund Account as directed by CBH's payroll processing.</p> <p>Submits the quarterly reconciliation package and reimbursement request, prepared by CBH, to the County Auditor-Controller.</p> <p>Provides CBH and the County with bank statements and account access needed for reconciliation.</p> | <p>Processes District payroll (Responsible Partner: Matt Wakefield).</p> <p>Prepares the quarterly payroll summary report(s) showing wages and payroll taxes paid from the Fund Account, for the District to submit to the County.</p> <p>Retains detailed payroll registers and tax deposit confirmations as backup, available on request.</p> <p>Holds no signature, ACH, or disbursement authority on the Fund Account.</p> | <p>Approves this Policy and provides the initial \$100,000 deposit to establish the Fund Account.</p> <p>Reviews the District's quarterly reconciliation package (County Auditor-Controller or designee).</p> <p>Approves eligible Payroll Costs and reimburses the Fund Account to restore the \$100,000 Fund Ceiling.</p> <p>Retains authority to request additional detail or audit supporting records at any time.</p> |

#### 6. Reconciliation and Reimbursement Process

Frequency: Reconciliation occurs quarterly, timed to coincide with the District's quarterly federal and California payroll tax filings, unless the DERSP Administrator administratively adjusts the Reconciliation

Period to monthly in accordance with Section 9. The frequency may be adjusted between quarterly and monthly as payroll volume, available Fund balance, administrative need, or other operational considerations warrant.

Process:

- Within 15 business days following the end of each Reconciliation Period, CBH compiles a payroll summary report showing total wages paid and total payroll taxes remitted (federal and California) from the Fund Account during the period, and provides it to the District as Backup Documentation.
- The District submits the reconciliation package and reimbursement request, including the Backup Documentation prepared by CBH, to the County Auditor-Controller's office.
- CBH retains the underlying payroll registers and payroll tax deposit confirmations and will make them available to the County or District upon request.
- The County Auditor-Controller (or designee) reviews the Backup Documentation and approves the eligible reimbursement amount within 10 business days of receipt.
- Upon approval, the County transfers funds to the Fund Account sufficient to restore the balance to the \$100,000 Fund Ceiling.

Low-Balance Protocol: If, before the end of a Reconciliation Period, the Fund Account balance falls below \$25,000 (25% of the Fund Ceiling), CBH will notify the District, which will promptly notify the County Auditor-Controller in writing, and the parties may agree to an interim reimbursement outside the normal cycle to avoid a shortfall. [Threshold and timing figures in this Section are placeholders for the County and District to confirm before execution.]

## **7. Internal Controls and Safeguards**

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- Segregation of duties: CBH processes payroll and prepares reconciliations but holds no signature or disbursement authority on the Fund Account; District officers hold sole signing authority; the County approves reimbursement independently of both.
- The District will provide CBH and the County with Fund Account bank statements (or read-only account access) on a monthly basis to support reconciliation and ongoing monitoring.
- CBH will retain payroll registers, tax deposit confirmations, and reconciliation workpapers for at least four years, consistent with standard IRS and California employment tax recordkeeping practice, and will make them available to the District, the County, or their auditors upon request.

## **8. Accounting Treatment**

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For financial reporting purposes, the County's initial \$100,000 transfer and subsequent reimbursements are expected to be recorded by the County as payroll-related expenditures on behalf of the District, and by the District as restricted cash held for payroll purposes together with a corresponding payroll expenditure and liability as wages and taxes are paid. Each party's independent auditors should confirm the appropriate fund and financial-statement classification (including any fiduciary-activity considerations) under governmental accounting standards applicable to their respective financial statements.

## **9. Amendment; Administrative Adjustment of Reconciliation Period**

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This Agreement may be amended at any time by written agreement of the District and CBH. Notwithstanding the foregoing, adjustment of the Reconciliation Period between quarterly and monthly reconciliation is an administrative adjustment and does not constitute an amendment to this Agreement or require further approval by the District Board of Directors. The DERSP Administrator is authorized to determine the appropriate Reconciliation Period based upon payroll volume, available Fund balance, administrative need, or other operational considerations and to implement the adjustment in coordination with CBH. Because a change in Reconciliation Period frequency affects the County Auditor-Controller's review and reimbursement obligations, any such adjustment requires the prior written concurrence of the County Auditor-Controller's Office before taking effect. This administrative authority does not authorize the DERSP Administrator to materially amend any other term of this Agreement or independently obligate the District to expenditures not otherwise authorized by the Board.

## 10. Termination

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Either the District or CBH may terminate this Agreement upon 30 days' written notice to the other, with a copy of the notice provided to the County Auditor-Controller's Office. The County Auditor-Controller's Office may also discontinue its review and reimbursement of the Fund under this Agreement upon 30 days' written notice to the District and CBH, which will have the practical effect of ending the arrangement even though the County is not a party to this Agreement. Upon termination, CBH will prepare a final reconciliation covering the period since the last Reconciliation, and any Fund Account balance in excess of Payroll Costs already incurred but not yet paid will be returned to the County.

## 11. Effective Date

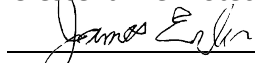
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This Agreement is effective September 14, 2026, subject to execution by both the District and CBH, and remains in effect until amended or terminated under Section 9 or Section 10.

## APPROVALS

IN WITNESS WHEREOF, the undersigned parties approve and execute this Payroll Revolving Fund Agreement as of the Effective Date.

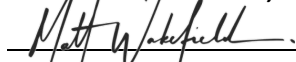
### Crescent Fire Protection District



By: James Erler, Board Chair

Date: 09/14/2026

### CBH CPAs & Advisors, PC



By: Matt Wakefield, CEO & Managing Partner

Date: 9/17/2026

## Reviewed By

The County Auditor-Controller's Office reviews and approves reimbursement requests under Section 6 of this Agreement. The County Auditor-Controller's Office is not a signing party to, and does not execute, this Agreement.

**Del Norte County Auditor-Controller's Office**

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*Reviewed by: County Auditor-Controller*

Date: \_\_\_\_\_