

Finance Policy

Purpose

The policy and procedural guidelines are designed to:

- Protect the assets of the Library
- Ensure the maintenance of accurate records of the Library's financial activities
- Provide a framework of operating standards and behavioral expectations
- Ensure compliance with federal, state and local legal and reporting requirements

Exceptions to the written policy may only be made with the prior approval of the Board of Trustees. The Board of Trustees may approve changes or amendments to this policy at any time. The Board of Trustees or its designee shall conduct a complete review of the policy every three years. All personnel with financial responsibilities are expected to be familiar with and operate within the parameters of this policy.

Fiscal Authority

Library Board of Trustees

The Board is made of elected officials who serve without compensation.

The Board is responsible for:

- Providing guidelines for management and allocation of financial resources to produce optimum benefit for those the Library serves
- Monitoring and evaluating the financial plans of the Library and maintaining the financial integrity of the Library

Library Director

The Director and Finance Officer prepare an annual operating budget. It is presented to the Board for approval, pursuant to *Idaho Code Section 33-2725* and the corresponding requirements of public notice and public hearing. The budget reflects the estimated cost of carrying out the programs and services of the Library for the next fiscal year. The budget also includes the anticipated revenues of the Library.

The Director is responsible for all library contracts under one year commitment. All contracts over one year need to be approved and signed by the Board.

The Director may delegate the responsibility of ordering and selecting products and services to other employees as deemed appropriate or necessary to accomplish the goals of the Library. The Director and his designees shall select products, services and vendors that best meet the needs and goals of the Library while complying with Idaho Code.

Library Finance Officer

The Finance Officer records all library transactions to accurately reflect the library operations. Monthly financial reports presented to the Board include individual payments made from library accounts. One Board member reviews a transaction detail by account report each month.

The Finance Officer coordinates the annual audit with an independent auditor.

Library Staff

Department Heads prepare budgetary requests annually during the development process. They should exercise fiscal responsibility in regards to the use of library funds. All library staff should be familiar with this Policy as public servants. Employees who make unauthorized purchases will be subject to disciplinary action including possible dismissal.

Fraud Prevention

Fraud is defined as a willful or deliberate act with the intention of obtaining an unauthorized benefit, such as money or property, by deception or other unethical means.

Fraudulent acts or related misconduct include, but are not limited to:

- Embezzlement, theft, misappropriation or other financial irregularities
- Forgery or alteration of documents (checks, time sheets, contractor agreements, purchase orders, other financial documents, electronic files)
- Improprieties in the handling or reporting of financial transactions
- Misappropriation of funds, securities, supplies, inventory or any other asset (such as furniture, fixtures, equipment, materials), including assets of the Library, patrons, suppliers, or others with whom there is a business relationship
- Authorizing or receiving payment for goods not received or services not performed
- Authorizing or receiving payments for hours not worked or expenses not accrued and documented
- Profiteering as a result of insider knowledge of Library activities

Fraud and related misconduct will not be tolerated. Employees found to have participated in such conduct will be subject to disciplinary action, up to and including termination.

Trustees and employees are expected to use their best efforts to recognize risks and exposures inherent to their areas of responsibility and to be aware of indications of fraud and related misconduct. Any Trustee or employee who knows or suspects fraud or related misconduct shall report that to the Chair of the Board of Trustees or the Library Director.

Basis of Accounting

The accounts of the Library are maintained on the modified accrual basis of accounting. All Library monies are considered part of the General Fund, Building Fund, Capital Asset Replacement and Restricted Funds. Restricted Funds include revenue connected with gifts and memorials donated to the Library and/or otherwise restricted funds.

The Library's fiscal year is October 1 through September 30.

The financial statements of the Library shall be independently audited annually in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards and applicable law (*Idaho Code Section 33-2726 & Section 67-450B*).

Annual audits are submitted to the online central registry and reporting portal on the legislative services office website (registry@lso.idaho.gov) within 9 months of fiscal year-end date.

Fixed Asset Capitalization & Surplus

CAPITALIZATION

Fixed assets are art, buildings, computers, equipment, furnishings, land, land improvements, shelving and vehicles costing **\$1,000 (discuss amount)** or more with a useful life of three years and more. An inventory of fixed assets is being maintained.

All fixed assets are valued at actual cost or estimated cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair market value at the date of donation.

Depreciation is calculated over the assets' estimated useful lives using the straight-line method of depreciation. The depreciation schedule is as follows:

Books and Related Materials = 10 years

Buildings = 40 years

Computers = 3 years

Equipment = 5 - 10 years

Furnishings = 5 - 20 years

Land Improvements = 5-40 years

Shelving = 10 years

Vehicles = 5 - 20 years

SURPLUS

It is the policy of the East Bonner County Library District to dispose of surplus property in accordance with the laws of the State of Idaho.

- Library Managers will prepare a list of items recommended for disposal as surplus.
- The Library Director, or his/her designee, will review the recommendations, and then present a list to the Board of Trustees for their consideration.
- The Board of Trustees will make the determination as to whether or not the items are surplus and declare the listed property as such.
- The Library Director, or his/her designee, will arrange for disposal of items determined to be surplus.

Budget Process and Timeline

The Director and Finance Officer are responsible for preparing an annual budget estimate for submission to the Board of Trustees in compliance with *Idaho Code Section 33-2725*. The budget is prepared on the modified accrual basis of accounting consistent with the basis used for financial reporting.

The Finance Committee reviews the draft budget. It is then presented to the Board of Trustees for approval. The Director and Finance Officer are responsible for revising and adopting the budget estimate for publication, holding the necessary public hearings, and adopting the appropriate budget resolutions.

The budget is then submitted to the Bonner County office who sends it to the Idaho State Tax Commission for final approval. The State approved budget is posted on the Library's website.

Department Heads prepare budgetary requests annually during the development process. Development includes the Finance Committee.

Timeline:

- The budget development process typically begins in April
- End of April: Bonner County is notified of the Public Hearing date, location and time
- End of May: deadline for Committee/Department Heads to submit budget requests to the Director
- End of June: the budget proposal is presented to the Finance Committee
- Early July: the preliminary budget is presented to the Board. Any recommended changes are made prior to the July Board meeting
- July Board Meeting: the budget draft is presented to the Board. It is published in the Bonner County Daily Bee and put forward for formal consideration at the Public Hearing in August
- Mid-August: public notice is posted at least 2 weeks prior to the budget hearing
- End of August: Special Meeting of Board of Trustees and Public Hearing on proposed budget per *Idaho Code Section 33-2725*

- Early September: L-2 form is submitted to the County by the first week in September. It is the deadline to certify the budget with the Bonner County Clerk and the Board of County Commissioners

After the budget has been duly approved and funds have been appropriated, the Director is authorized to expense funds within the confines of the budget's categories.

The Director is responsible for notifying the Board of anticipated insufficiencies in any fund category that may require a budget amendment and/or the future transfer of funds between accounts.

If the total expenditure increases beyond the budgeted estimates, then formal action should be taken to increase the appropriation to cover the increased expenditures.

The formal action to amend the budget will require notification and a hearing where the reasons for the increased appropriation will be discussed with consideration of public input. The same process and timeline as filing the original budget approval is followed.

Investment Policy

Idaho Code provides authorization for the investment of funds as well as specific direction regarding allowable investments. The District's policy is consistent with this direction. The District currently invests in the State of Idaho local government investment pool.

Objective

The primary objectives of the Library's financial investments are, in order of priority:

1. Safety of Principal – All investments shall be undertaken in a manner that seeks first to preserve capital and second to fulfill other investment objectives.
2. Liquidity – The Library's investment portfolio will remain sufficiently liquid to enable the Library to meet all operating requirements, which might be reasonably anticipated.
3. Return on Investments (yield) – The Library's investments should generate the highest available return without sacrificing the first two objectives.

Funds

The Board may establish funds for money and securities of the Library. All monies from whatever source derived will be receipted into funds established by the Board under authority of law.

Delegation of Authority

The Director and Finance Officer shall implement the investment program and establish investment procedures consistent with this policy. No person may engage in an investment transaction except as provided under the terms of this policy.

Reporting

The Library Director and Finance Officer shall provide the Board of Trustees with monthly reports, which clearly provide the following information regarding the investment portfolio:

- Types of investment and cash position
- Depository institutions
- Principal balances

Ethics and Conflicts of Interest

Those involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the Library investment program, or that impair their ability to make impartial decisions.

The Finance Officer or Director will maintain appropriate documentation of the transactions so these may be audited as required by statute.

Personal Use of District Assets

Neither the Director nor any Board member will use or permit the use of Library funds, vehicles, equipment, telephones, materials or property for their own personal benefit or profit. Neither the Director nor a Board member will ask or require a Library employee to perform services for the personal benefit or profit of a Board member or the Director. The Director and all Board members will safeguard Library property, equipment, monies and assets against unauthorized use or removal, as well as from loss due to criminal act or breach of trust.

Segregation of Fiscal Duties and Internal Controls

No one person should control or perform all key aspects of a transaction or financial event. Segregation of duties is an important internal control activity that helps detect errors in a timely manner and deters improper activities. Internal

controls instituted by the Library will assist the Board in maintaining adequate fiscal oversight of the expenditure funds.

When segregation of duties is not possible, an extra level of reporting will take place. The reports will be reviewed and signed by either the Director or a Board Member.

Electronic Transfers

The following types of transactions may be conducted by electronic transfer between financial institutions in order to expedite the transfer of funds as well as maximize interest earnings:

- All investment transfers between the checking and investment accounts
- Credit card payments
- Payroll for Library employees and fees associated with payroll processing
- Health insurance payments for Library employees, Flexible Savings Account funding and monthly fee payments
- Utility payments, internet and telephone payments
- Other services with monthly subscription cost or contract payment as approved by the Board of Trustees
- To satisfy long-term bond or debt obligations when required by depository trust company

Purchasing Policy

The East Bonner County Public Library establishes this purchasing policy in order to comply with generally accepted auditing standards and the principles of responsible fiscal management.

The Library will follow the current procurement standards listed in *2 CFR 200.318* when receiving federal awards.

Only the Director or another person designated by the Board of Trustees may commit the Library to make purchases. Further, with the few exceptions described herein and those purchases requiring action to secure the immediate safety of employees or the public, all purchases require advance planning and the adherence to the processes outlined in this policy and procedures established by the Director and Financial Officer and approved by the Board of Trustees.

Materials, equipment, supplies and services purchased by the Library shall be of a quality and quantity required to serve the functions of the Library in a satisfactory manner.

It is the responsibility of the Director, or another person designated by the Board of Trustees to secure the required bids or to investigate alternative suppliers to ensure the most economical purchase of required items. The process of securing quotes and/or bids is further described in this policy.

All purchases will have a budgetary appropriation. All budgetary transfers will be reported to the Board of Trustees and their approval documented.

Purchasing Procedure

The Director may purchase goods or services that are included in the annual budget without a cap value.

Department Heads and their staff may purchase goods up to a value of *\$1,000.00*.

Any purchase over *\$1,000.00* requires a Purchase Order signed by the Director.

All orders should include the following documentation:

- Original itemized receipt including an itemized description of the purchase, the quantity ordered and the vendor.
- When applicable, a copy of the packing slip, initialed and dated by the person checking in the shipment.
- Printed copy of order confirmation.

Library Materials:

- Books, magazines, AV and other such materials intended for patron use are generally purchased from vendors offering volume discount or vendors offering a State contract discount program. Materials available only from the publisher are generally purchased with little or no discount. Materials orders over \$1,000 do not require a Purchase Order.

Requirements for Obtaining Quotes and Bids

Capital and One-Time Purchase:

The following schedule is related to capital or one-time purchases of all non-library materials (i.e. equipment, furniture, etc.) where individual items are at the stated prices and for which there are sufficient budget appropriations. All involved in the purchase process shall be aware of the prevailing state contracts or other previously arranged discount programs for which the Library is eligible.

- Purchases over **\$50,000.00** require a formal bid process per *Idaho Code Section 67-2806*.

Items not subject to bid:

Professional services such as an auditor, attorney, architect or engineer, which involves specialized expertise, use of professional judgment, and/or a high degree of creativity.

Emergency arising from an accident or other unforeseen occurrence, a situation in which public buildings, property, or residents are at risk, or immediate action is required that cannot await competitive bidding.

Cash Receipts Policy

Each morning, the cash is counted and deposited into the Square cash registers. It is reconciled against the Square cash report. Credit card receipts are included with the daily-register receipts. Money is deposited into the bank periodically, depending on the amount of cash received and at least twice a month.

Self-pay copy machines are emptied and filled periodically during the month. The money is recorded as cash received through the Square system. The money is deposited periodically throughout the month.

All other cash and checks (grants, donations, etc.) are recorded on the daily cash form and deposited in a timely manner.

All cash is stored in a secure place, under two locks.

A designated staff member will prepare the deposit and complete the petty cash reconciliation form.

Donations are acknowledged with a thank you letter that serves as a donation receipt. The Administrative Assistant is currently sending the letters.

Funds received that are restricted in use by a grant agreement or donation stipulation are restricted for that purpose only. The Finance Officer assigns an account for the funds and the staff assigns that account to the purchases as they are made.

The Finance Officer deposits property tax and sales tax income into the Library's checking account. The checks are reconciled to the remittances sent from the County.

Bank Statements and Reconciliation Reports

The Finance Officer receives the checking bank statement and reconciles the account. The reconciliation report is given to the Director for review. As part of the bank statement review, the Director confirms payroll transfers, property tax deposits, sales tax deposits, payroll tax transfers & PERSI transfers to and from the Library bank account.

The Finance Officer receives the State Investment Pool bank statements directly from the State website. Any activity within the SIP accounts is reported directly to the Director via emails.

Credit Cards

The Board of Trustees grant access of credit card use to the Director through a resolution. The Director is issued a credit card in his/her name for use in District financial affairs.

Staff members who order library supplies have access to a credit card and/or lines of credit that have been set up with vendors.

Staff members who travel to a conference or workshop can carry a credit card in the name of East Bonner County Library after signing the Credit Card Use Procedure (see attached).

The Finance Officer reconciles the credit cards and line of credit statements monthly. One Board member reviews all the activities via the Transaction Detail by Account report.

Financial Reserve & Carryover Policy

The fund balances are reviewed prior to the fiscal year ending. Reserve balances are reviewed to ensure adequate reserves in the General Fund to maintain district operations. A proposed transfer may be presented for Board approval to transfer carryover funds from the General Operating Fund to the Capital Asset Replacement Fund. The District follows *Idaho Code 33-2724 (3)* and *33-2724 (4)* that pertains to carryover balances and capital asset replacement fund.