

FINANCIAL MANAGEMENT POLICY

Board Approved: 8-17-2023

1. General Purpose

The purpose of this Financial Management Policy is to establish guidelines for the Board of Trustees and the District's Administrative Team regarding standards, responsibilities, administration and implementation of the District's funds. This policy will allow for effective management and sound decision making to properly safeguard assets and provide accurate financial reports.

2. Financial Statements

The District is a government entity and is required to account for and present basic financial statements according to Generally Accepted Accounting Principles (GAAP) and standards set by the Governmental Accounting Standards Boards (GASB). Financial operations will be audited annually by an independent Certified Public Accountant (CPA), in accordance with Government Auditing Standards. The audit may be conducted on or off premises as soon as practical following the close of the fiscal year and will include policy compliance and transaction detail.

The Business Manager will provide monthly, unaudited Income Statements and Balance Sheets along with an analysis of the statements for Board approval at regular public meetings. The appointed Board Treasurer will review in detail the unaudited financial statements and supporting documentation monthly.

3. Financial Responsibilities

The Board of Trustees oversees the general financial administration of the District and relies on the Administrative Team for the day-to-day operations and financial decisions. The Board has primary authority and final responsibility for the financial conduct of the District. The members of the Administrative Team are: Director, Assistant Director and Business Manager. Together, the Administrative Team oversees the following:

- Budget Administration
- Risk Management
- Contracting
- Annual Audit
- Accounting Operations
 - Financial Statement processing
 - Revenue and Expenditure Recognition and Assignment
 - Payroll
 - Accounts Payable and Accounts Receivable
 - Cash Collection and Disbursements
 - Bank Reconciliations
 - Fixed Assets

The District is the Fiscal Agent for the consortium, Cooperative Information Network (CIN). The Directors of CIN member libraries oversees the general financial administration and financial decisions of the consortium and relies on the District Business Manager for the day-to-day operations and financial reporting. CIN will be audited as a component unit of the District.

4. Accounting and Record Keeping

General Ledger and Chart of Accounts

The general ledger is defined as a group of accounts that supports the information shown in the financial statements. It is used to accumulate all financial transactions and is the foundation for data that produce financial reports.

The chart of accounts is the framework for the general ledger system and the basis for the District's accounting system. General ledger accounts will have titles and be assigned a 3-digit number. The Business Manager is responsible for all account maintenance, including additions and deletions of individual accounts and division of account sections. Any changes to the chart of accounts will be reviewed by the District's auditor prior to implementation.

Format for District chart of accounts:

1XX	Assets
2XX	Liabilities
3XX	Net Assets
4XX	Revenue
5XX	Salaries and Benefit
6XX	Programs, Materials and Services
7XX	Facilities Maintenance
8XX	General Operations

Format for CIN chart of accounts:

1XX	Assets
2XX	Liabilities
3XX	Net Assets
4XX	Revenue
5XX	Digital Services
6XX	General Operations

All documents related to the business operations of the District and CIN will be retained. Record retention periods vary depending on the document. Records will be retained in accordance with all legal requirements and recommendations from the auditor. Access to records will be limited to authorized personnel and stored in a secure manner throughout the retention period.

Budget Administration

The Administrative Team is responsible for preparing a draft budget and presenting it to the District Board for review. Revenues and expenditures will be conservatively projected based on past history current trends, facility/equipment/programming needs and Board approved long-term plans and objectives. The fiscal year for the annual budget will begin October 1 and end September 30.

The Board of Trustees is responsible for approving the annual budget. The budget is required to be published and a public hearing held. The approved budget must be certified with the appropriate county auditors' offices the Thursday prior to the second Monday of September, per Idaho Code 63-803(s).

Risk Management

Fiscal integrity and transparency using public funds is a priority for the District. Internal control procedures will include, but not be limited to, separation of duties, cash collection, cash disbursement, payroll disbursement, credit card control, banking services, restricted access, document control and records retention. The Board Treasurer, Clerk of the Board, Director, Assistant Director and Business Manager will be bonded through ICRMP, the District's insurance carrier.

Contracting

The District has the authority to enter into contracts that provide goods or services. The Board of Trustees delegate to the Library Director the authority to contract on behalf of the Library for the purchase of goods or services when the annual aggregate amount of the contract is \$50,000 or lesser value and said purchases are pursuant to a budget previously approved by the Board except for legal services. The Board of Trustees is solely responsible for contracting legal services to represent the District. New contracts committing the Library to amounts in excess of \$50,000 annually shall be approved by specific action of the Board in formal session. No contract or order imposing any financial obligation on the Library shall be binding upon the Library unless it is in writing, signed by the Chair of the Board of Trustees, or by the Library Director, or Director's specifically authorized designee, or other agent of the Library specifically authorized to sign on behalf of the District. Ongoing annual contracts such as health insurance are exempt from the \$50,000 requirement. A contract shall conform to State and Federal law and follow applicable bidding requirements. They shall otherwise contain such provisions as are reasonably necessary to protect the interests of the library.

Annual Audit

An independent, Certified Public Accountant (CPA), will be contracted annually to conduct a financial audit. The Business Manager will provide all documentation and coordinate with the CPA the time and location for the audit. Audit findings will be reported to the Board by the CPA.

Accounting Operations

- Financial Statement processing

The Business Manager is responsible for preparing monthly financial statements (income statement and balance sheet) for the Board to review and approve. The Board Treasurer is responsible for reviewing the financial statements and back up documentation. Back up documentation include the following reports: general ledger, general journal, trial balance and all bank statements with reconciliations. The District and CIN will maintain separate accounting operations and financial reporting.

- Revenue and Expenditure Recognition and Assignment

Revenue and expenditures will be recognized in the accounting period in which they are earned or incurred. They will be assigned to the appropriate general ledger account in accordance with GAAP and GASB standards and legal requirements. For the District, the major revenue categories are

public tax dollars, grants, donation and library fees. Expenditure categories are salaries and benefits, programs, materials and services, facilities maintenance and general operations. For CIN, all revenue is from consortium members. Expenditure categories are digital services including software maintenance and general operations.

- Payroll

Payroll processing is performed in-house by the Business Office staff and verified by the Director or Assistant Director. Pay periods are monthly ending 5 business days prior to the end of the month. Paychecks are issued the last business day of the month. Employees are required to use the online timekeeping software to submit timesheets. Managers/supervisors are required to approve their staff's timesheets prior to processing payroll. The Director cannot approve their own timesheet. The Assistant Director or Business Manager will approve the Directors timesheet. Approved rates of pay and authorized withholdings and deductions will be applied.

- Accounts Payable and Accounts Receivable

The District's and CIN's accounting records and related financial reports are recorded and reported on the accrual basis of accounting. Revenues and expenditures are recognized when earned and incurred, respectively.

- Cash Collection and Disbursements

All cash/cash equivalent for revenue will be submitted to the Business Office for processing in a timely manner. Expenditures for approved products and services received will be paid by check. Checks may only be signed by the Director or Assistant Director. Amounts over \$5000.00 must be co-signed by the Board Chair or Treasurer. Members of the Board may not be the only signers on a check unless expressly directed to do so by a majority vote of the Board. This policy is based on the principle of separations of duties. Exceptions to this policy will be payments that are required to paid electronically. These payments will be prepared by the Business Manager and executed by the Director or Assistant Director.

- Bank Reconciliations

All bank accounts will be reconciled monthly by the Business Manager and submitted to the Board Treasurer for review. The Board Treasurer is responsible for reviewing all cancelled checks.

- Fixed Assets

Libraries will inventory all equipment and furniture valued at \$500 or more annually. Per Board resolution, any equipment, vehicle, furniture, or facility improvement over \$2500 will be capitalized.

APPENDIX: INTERNAL CONTROL PROCEDURES

Separation of duties

The definition of separation of duties is no single person shall have the authority to authorize a transaction, execute a transaction, record a transaction and have custody of any resulting assets. This protects the District and CIN from any potential fraud or misappropriation of funds.

Cash collection

District

Public tax dollars are dispensed to the District from the county auditor's office. The Business Manager records the revenue into the appropriate revenue account as indicated on the revenue remittance and following legal requirements.

Grants and donations are submitted to the Business Manager with supporting documentation. Any revenues with restrictions will be tracked and reconciled separately.

Libraries receive revenue in the form of fees from library members. Each transaction is recorded and reconciled to actual monies received. The library manager forwards the money and transaction reconciliation to the Business Office. The Business Office staff verifies monies received and records the revenue into the appropriate revenue account as indicated on the transaction reconciliation.

Checks received are transmitted to the bank electronically. Cash received is verified by two people before being delivered to the bank for deposit. When funds are received electronically, a receipt confirmation will be printed. All transaction receipts are maintained with the deposit documentation.

CIN

Invoices are issued to member libraries and checks are received in response. Checks received by the Business Manager are transmitted to the bank electronically. A receipt confirmation will be printed. The receipt and copies of the invoice will be maintained with the deposit documentation.

Cash disbursement

District and CIN

Only authorized personnel are allowed to approve purchases for products or services. Invoices for products or services received are to be submitted to the Business Office with any applicable backup documentation. The Business Office staff will assign the appropriate expenditure account, record the transaction in the accounting system and writes the check for payment. Checks, with backup documentation, are forwarded to the Director or Assistant Director for signing and final approval. The Director or Assistant Director may not sign the check or make final approval for their own employee reimbursement. Checks over \$5000.00 will be co-signed by the Board Chair or Treasurer.

Any payments that require electronic transmission will be created in the banking system by the Business Manager. Final initiation will be authorized by the Director or Assistant Director. The District's bank provides a system for dual control. One authorized individual can create transactions but not initiate the distribution. The second authorized individual can initiate the distribution but cannot change the transaction in any way. Staff with online banking authorization include the Director, Assistant Director, Business Manager and Administrative Assistant. A staff member from the Business Office must be one of the two individuals involved in all electronic distributions.

Payroll processing and disbursement

Employees are required to utilize the online timekeeping software for time worked. Employees eligible for vacation, sick and/or personal time off will request the time off using the software. All employees will submit their timesheet for approval. Managers/supervisors will approve their staffs' time off requests and submitted timesheets. There will be occasions when a staff member does not submit their timesheet. Managers/supervisors can still approve the timesheet for payroll processing. This practice is to be used only when the staff member cannot submit their timesheet by the payroll processing deadline. Employees that routinely do not submit their timesheet may receive disciplinary action.

The Director, Assistant Director, Business Manager and Business Office staff will be granted administrative access to the online timekeeping software. They are required to submit their monthly timesheet but may not approve their own timesheet.

Submitted and approved timesheets will be printed and reviewed by the Business Office staff. Final timesheets will be electronically transferred into the Payroll module of the accounting software. Hours and salary will be verified following the transfer. Paychecks will be issued on the last business day of the month. Direct deposit paychecks will be printed on plain paper. All others will be printed on District checks.

The Payroll Journal summary and detail reports will be printed. The summary is used to verify tax withholdings for payroll tax payments. The Business Office staff will prepare the tax payments and the Director or Assistant Director will execute the payments.

The Payroll Register will be used to create the electronic direct deposit and PERSI transactions. The Business Office staff will prepare the transactions. Using the timesheets and paystubs, the Director or Assistant Director will verify the accuracy of each paycheck, including employee, wage and hours to be paid. They will execute the direct deposit transaction. After the Director or Assistant Director has approved payroll, the Business Office staff will complete the PERSI transaction. All reports will be printed verifying transmission to the appropriate personnel.

Employees eligible for vacation, sick and/or personal time off will receive a monthly report showing beginning hours available, hours earned and/or used and ending hours accrued.

Credit card control

Staff in the following positions will be the only authorized employees assigned a credit card for purchases on behalf of the District:

- Director
- Assistant Director
- Adult Programming Coordinator
- Collection Development Librarian
- Communications Coordinator
- Facilities Manager
- IT Coordinator
- Youth Services Coordinator

Staff are required to reconcile their credit card statement monthly and provide documentation for every charge. Reconciled statements will be submitted to the Business Manager for review and payment processing. As detailed in the Cash Disbursement section, the Director or Assistant Director

will make the final approval. The Director or Assistant Director may not make the final approval for their own credit card statement.

The staff member issued a credit card is responsible for its protection and custody, and shall immediately notify the issuing bank and library Administration if the credit card is lost, stolen, or used by unauthorized person. All credit cards issued to staff shall be returned immediately upon request or termination of employment to the library.

Banking services

The District will hold the bulk of their funds in conservative, interest-bearing bank accounts. A "sweep" account is to be utilized to ensure the District does not exceed the maximum insured amount of \$250,000 established by the FDIC. A "sweep" account is a program that more than 4000 banking institutions participate in that allow for larger account balances to be diversified among multiple banks and remain under the FDIC maximum. The Business Manager is responsible for ensuring funds are transferred from the "sweep" account to the checking account for expenditures.

The Director, Assistant Director, Business Manager and Administrative Assistant will be the only staff allowed online access to bank accounts. In cooperation with the District's banking institution, access will only be granted on business days between 8:00 am and 5:00 pm and further restricted to the IP address of the District headquarters. A 2-factor authentication system will be required to sign in online.

Direct deposit paychecks and wire transfers will be handled as an ACH transaction with the District's bank. As detailed in the Cash Disbursement section, no one individual can create and authorize an ACH transaction.

It is the District's position that no outside vendor be allowed to draft a bank account for payment. All payments to vendors must be initiated by the District.

Grant requirements

Grant purchases may be subject to different contracting requirements. Funds received that are restricted in use by a grant agreement or donation stipulation are restricted for that purpose. Use of those funds are tracked by the Business Manager and applicable staff.

Restricted access and document control

Only authorized staff will be allowed access to District document files. These include but are not limited to employee files, deposit records and vendor payments. Documents will be locked in file cabinets and inside a locking closet/room. Access is limited to the Director, Assistant Director, Business Manager and Business Office staff. Appropriate provisions will be made for allowable and lawful public records requests. The Business Office staff will be responsible for maintaining documents in an organized manner and made available to authorized individuals for review.

Records retention

All Districts records will be retained for various periods of time. Document type dictates the retention period. The District follows all legal requirements and the auditors recommendation of retention periods.