

## Financial Management Policy

### Objectives

This Financial Management Policy was developed to enable the Lake County Library District to meet the following objectives:

- Ensure that all financial systems, functions, and controls meet generally accepted accounting principles as applicable to government entities.
- Preserve capital through prudent banking and cash management activities.
- Achieve the most productive use of cash, minimize operating costs, and control receipts and disbursements.
- Maintain competitive and good working relations with financial institutions.
- Provide safety to employees.

### Accounting Services

In order to provide the highest level of division of duties as recommended by generally accepted auditing standards, the Lake County Library District has entered into an agreement with Lake County to process the collection and disbursement of district monies through Lake County's financial systems.

### Banking Services

Major banking services must meet the following minimum criteria:

- Institution must be listed on the Oregon State Treasurer's list of qualified depositories
- Be insured by the Federal Deposit Insurance Corporation (FDIC)
- Be able to facilitate transfers to and from the Local Government Investment Pool managed by the Oregon State Treasurer
- Provide annual audited financial statements

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All district bank accounts must be authorized and approved by the Library Board. The Library Director is responsible for maintaining a current signature card with the appropriate financial institution(s).

## Billing and Receipts

The district will maintain a system to age accounts receivable. The district will invoice all parties for amounts due on a current basis. Invoices are due within 30 days of billing date.

To ensure library materials are returned so other patrons can use them and to reduce costs on material purchases, any accounts over \$25.00 and more than 60 days past due may be sent to collections. The Library Board may determine not to send an account to collections in cases of unusual circumstances such as a death or illness of the patron or patron's family member, loss of materials due to natural disaster, or other circumstances as the Board sees fit to extend additional time to return materials or pay for their replacement.

If state agency/grantor is willing and it is feasible, state funds and/or state grants will be received via the Local Government Investment Pool.

## Accounts Payable

Accounts payable invoices will be analyzed to take advantage of any discounts available.

All obligations paid by the district will be reviewed to ensure proper documentation is attached and that all district requirements are met.

## Debt

If feasible, the district may enter into long-term lease obligations or issue bonds to finance capital acquisitions upon approval of the board of directors. Before issuing any debt, the district will consult with appropriate internal and/or external financial advisors.

All leases, as reported in the district's annual financial report, will be limited as follows:

- Annual leases will be limited to the economic life of the equipment or facilities to be purchased, and in no case, shall be extended beyond 20 years or as otherwise authorized by Oregon Revised Statutes.
- Lease purchases of equipment and facilities will be limited to fit within the district's stated mission, goal or government role.
- All lease-purchase payments must be included in the approved budget.

The district may enter into credit card or revolving credit accounts in order to more easily procure materials. Such accounts may be established at the direction and with the advance approval of the Library Board.

## Capital Assets

A capital asset is property used in agency operations having an initial estimated useful life of more than one year and an initial cost of \$2,000 or more. Capital assets may include computers or technology, office, and other equipment.

The Library Director will conduct an annual physical inventory of capital assets as of each fiscal year end. Adequate insurance will be maintained on all capital assets consistent with the results of the annual physical inventory and inspection.

## Budget

The district will follow applicable Oregon local budget laws and Governmental Accounting Standards Board standards as appropriate.

The Lake County Library District Board of Directors reserves the authority to establish and modify commitments of ending fund balance. Authority to classify portions of the ending fund balances as assigned is granted to the Budget Officer.

When both restricted and unrestricted resources are available for use, the district will use restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

## Internal Controls

The Library Director will develop procedures that provide sufficient internal controls to address the following. The Library Board will review these procedures annually.

### *General*

- Duties will be assigned to individuals in such a manner that no one individual can control all phases of collecting cash, recording cash, and processing transactions in a way that permits errors or omissions to go undetected.
- All accounting computer records must be kept secure. Persons authorized to edit or review the records must be given passwords that enable only them to access the system. More than one person will be trained on the system. Accounting records will be backed-up on a regular basis.
- A procedure will be developed for writing off bad debts. The procedure will specify the persons responsible for writing off the bad debt and their level of authority.

### *Deposits*

- Deposits are received by a person other than the depositor of the funds to ensure that funds are placed in the proper district accounts.

### *Purchases*

- Receipts will be verified by someone other than the purchaser prior to paying an invoice.
- Someone other than the signer of the checks will authorize all purchases.

### *Checks*

- More than one district employee or board member will be required to sign checks for checking accounts. The exception to this is the checking account maintained at Umpqua Bank with a less than \$300 balance. The Library Director is responsible for maintaining a current signature card for this account.
- ORS 198.220 requires that any officer or employee of the district who is charged with the possession or control of district funds and properties be bonded or have an irrevocable letter of credit issued by a commercial bank. This requirement is

satisfied by the holding of District funds by Lake County officials who have been properly bonded.

- Checkbooks are to be in a secure place at all times during business hours and locked in a filing cabinet during non-business hours.
- Someone other than the signer of the checks will reconcile district accounts.

#### *Cash*

- When practical, cash transactions should always involve more than one individual to ensure that cash is recorded properly. Cash reconciliation will always involve more than one person.
- Petty cash funds require full documentation, including the purpose of the expenditure and who received the petty cash funds. Petty cash transactions are to be avoided when payment through another mechanism (credit card or accounts payable) is available.

#### *Capital Assets*

- Capital assets are properly accounted and reported.
- Internal controls are in place to reduce the risk of theft or other loss.

#### *Due Diligence*

- Due diligence required by financing agreements is performed properly and on time, including filing of mandatory annual reports and reporting of material events as needed.

## **Investments**

This policy applies to the investment of short-term operating funds and capital funds including bond proceeds and bond reserve funds. Investments of employees' retirement funds, deferred compensation plans, and other funds are not covered by this policy.

#### *Investment Objectives*

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield.

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Lake County Library District's investment objectives are:

- Conformance with federal, state, and other legal requirements
- Preservation of capital and the protection of principal by mitigating credit risk and interest rate risk
- Maintenance of sufficient liquidity to meet operating requirements that can be reasonably foreseen
- Attainment of market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs

#### *Delegation of Authority*

The Lake County Library District has entered into an agreement with Lake County to process the collection and disbursement of district monies through the County's financial systems. Because District moneys are managed with County monies, the Lake County Treasurer effectively serves as the Investment Officer of the District and is responsible for investment decisions and activities, subject to review of the Board of Directors.

The Board of the District will review the County's Investment Policy and relevant procedures as needed to ensure compliance with state laws and regulations, including ORS 294.035.

#### **Audits/Auditors**

The district will conduct an annual audit as soon as practical after the end of the fiscal year. District employees are to cooperate with all auditors, external and internal, regarding any records maintained for or by the district.

All external and internal audit reports are to be sent to the board of directors, district auditor, and the Library Director. The Library Director shall respond in writing to all external audit reports stating what actions have been taken to address the findings contained in the audit.