



Policy 5.15 Fiscal Management

Adopted by the Library Board of Trustees:
10/27/2016; 1/25/2024

Purpose

The North Olympic Library System Board of Trustees establishes the following Fiscal Management Policy in order insure that the Library's fiscal, financial, and budget practices are conducted according to sound and accepted financial procedures and policies, and to support responsible and sustainable stewardship of public resources.

Revenue

Pursuant RCW 27.12.070, the Clallam County Office of the Treasurer serves as the Library's fiscal agent for receiving and disbursing taxes levied on behalf of the Library.

Although library services are primarily funded through property taxes and timber revenue, the Library will seek information on alternative funding from multiple sources, e.g. grants, partnerships and fees.

All Library fees and charges will be approved by the Board in [Policy 4.2](#).

Debt Management

As a junior taxing district, the Library has a few options in determining the method of taking on debt. Those include short term loan obligations, limited tax general obligation or "councilmanic" bonds, unlimited tax general obligation or "voted" bonds, and other types of debt including leases, as well as intergovernmental and Local Option Capital Asset Lending (LOCAL) loans. Long-term debt is only to be used to finance capital improvements and should never be used to support current operations.

Investments

Pursuant RCW 43.250, the Library will participate in the Washington State Local Government Investment Pool (LGIP) and adopt their Investment Policy. The Executive Director or Finance Manager will recommend other investment opportunities to the Board for approval. Staff will regularly review investments to ensure compliance with any direction from the State Auditor's Office.

Annual Budget

The Board will adopt and maintain a balanced annual Operating Budget. Library staff will prepare an annual budget based on anticipated revenues and expenses, and present it to the Board for approval. The process will follow an established calendar and include a public hearing for the final reading. The annual levy for tax collection purposes must be set and sent to the Clallam County Assessor by November 30 of each year.

The Library's Capital Budget will be approved by the Board at the January Board meeting for the fiscal year of the budget. The Capital Budget provides for routine annual capital improvement and maintenance of the Library's capital infrastructure.

Large-scale non-routine capital projects may be funded from various gift, grant, or Capital Project accounts, which will be approved separately by the Board on a case-by-case basis.

Amended or revised budgets may be adopted by the Board as needed.

Undesignated Cash Operating Fund

This fund is used to carry out the Library's normal operations and maintenance activities. While the Library budgets on a calendar year (January-December), tax revenue is received primarily in the second and fourth quarters. The minimum beginning balance for the fund in January each year should not be less than 33% of budgeted operational expenditures to ensure adequate funding to maintain services between property tax collections. The Board delegates the responsibility of maintaining an adequate fund balance to the Executive Director to maintain sufficient cash available for the operational needs of the Library. A fund balance in excess of the minimum may be used for current-year expenditures or may be transferred to Board Designated Reserve Accounts.

Reserve Accounts

The Library maintains a number of Board Designated Reserve accounts. These accounts are designated or restricted as to use by the Board. The Library may also maintain other Reserve accounts, which are designated or restricted as to use by donors or other legal requirements.

The Library will maintain the following Board Designated Reserve Accounts:

- **Fiscal Emergency Reserve** - designated as a reserve resource to be used in the event of a significant fiscal emergency as declared by the Board, including events such as the need to fund the Undesignated Cash Operating account, payout a substantial portion of the workforce, weather widespread tax default, or respond to significant natural catastrophe or civil disruption. The Fiscal Emergency Reserve will be funded to a level that represents approximately three months of operating expenses based on what has been budgeted for the current year's personnel, utilities, communications, and supplies (excluding collection) expenses.

Upon declaring a need for fiscal resources to address a significant emergency having effects that cannot be addressed through the existing budget, the Board may take action to release cash reserves for purposes of meeting fiscal obligations and/or ensuring continuity of operations and services.

- **Operating Reserve** – serves as a holding account for funds set aside to augment annual revenues in deficit budget years, when operations and maintenance costs exceed expected revenues. Funding and use of Operating Reserves will be authorized by the Board in keeping with established reserve and fiscal management strategies.

- **NOLS Capital Reserve** - serves as a receiving account for timber revenues. Funds in this account are utilized to support capital projects.
- **NOLS Capital Budget Fund** - designated as a reserve resource for maintaining and enhancing capital infrastructure. Funds may be designated, at Board direction, to support capital replacement or enhancement projects at any NOLS facility.
- **Capital Project Accounts** - may be created at need to receive and disburse funds for capital projects at various Library locations (e.g. *Port Angeles Capital Reserve or Sequim Capital Project Account*).

Reserve Account funds may be held jointly in both liquid accounts (such as the State Local Investment Pool) and investment accounts (such as Certificates of Deposit).

For purposes of managing the Library's finances, additional reserve accounts may be designated and/or reserve funds may be transferred between library reserves and/or operating accounts by the Board at any time.

Grants and Donations

The Executive Director or designee will create and maintain designated Grants and Donations funds as necessary to accurately control and account for funds received as grants and donations. Board authorization is not required for establishing Grants and Donations funds.

Expenditure Certification and Disbursement Systems Controls

Pursuant to RCW 42.24.080, the Finance Manager is designated to certify all claims made against the Library for payment. The Executive Director or designee shall certify payments in the absence of the Finance Manager.

To provide guidelines for receiving, handling, reporting and disposition of cash, check, and electronic receipts and other petty cash funds held by the Library, staff will follow [Cash Management Policy 5.7](#), Electronic Fund Transfer Policy 5.18, and related procedures.

The Library shall establish and maintain control systems for each major disbursements process, including payroll and accounts payable, as well as controls over transactions from initiation to payment, account monitoring, and fraud protection.

Duties shall be segregated to ensure that there is appropriate separation from assets by those empowered to approve expenditures. These include signatories not having access to the ability to print checks or access the Library's accounts. Duties for authorization, reconciliation, recording, asset inventory, surplusing and other accounting duties shall be delegated among the Administrative staff to ensure compliance.

Financial Reporting

The Library will follow the prescribed Budget, Accounting, and Reporting System (BARS) as outlined by the Washington State Auditor's Office.

The Library's financial reporting will be on a cash basis. Financial reports will be submitted to the Board at their regular public meetings.

Whenever required by the Washington State Auditor's Office, the Library will participate in audits and budget for those activities accordingly.

Board Responsibilities

Washington State Law (RCW 27.12.210) authorizes the Board of Trustees to undertake all actions necessary for the orderly and efficient management and control of the Library's finances. The Board has responsibility for the following:

1. Assist with budget development and approve annual Operating and Capital budgets;
2. Regularly review financial reports;
3. Approve voucher payments;
4. Regularly review reserve balances and strategies;
5. Approve transfer of funds among Board designated accounts as needed;
6. Participate in the State audit process;
7. Review this fiscal management policy periodically, and amend it as deemed appropriate.

Administrative Responsibilities

The Board expects the Executive Director and designees to carry out the following responsibilities:

1. Establish a budget system and administer the budget process.
2. Establish and maintain financial procedures for managing the Library's cash. Document, keep prudently current, and enforce such financial procedures as an implementation of this fiscal policy.
3. Establish and maintain a strategic fiscal management plan.
4. Develop and manage fiscal practices that support reserve strategies established by the Board.
5. Administer a cash-flow system as an anticipatory approach to budgeting, and meet the Library's expenditure needs for future operations, including bill management.
6. Implement the State of Washington's Budget, Accounting, and Reporting System (BARS).
7. Furnish the Board appropriate financial reports on a monthly basis.