
Board Policy



Fiscal Management

Policy Statement

The Pierce County Library System (“Library”) Board of Trustees shall implement and maintain sound financial management of the entrusted resources provided by the taxpayers and other sources of funding, consistent with the Library’s mission.

In accordance with state law, RCW 27.12.070, the Pierce County Office of the Assessor-Treasurer serves duly as the Library’s fiscal agent, and the Library implements all accounting rules and processes required by the Assessor-Treasurer.

As authorized by the State Auditor, the Library implements the cash basis of accounting, but can choose to implement modified accrual or full accrual basis of accounting. Cash basis of accounting does not conform to Generally Accepted Accounting Principles (GAAP) and the State Auditor notes this status in annual audit reports.

Definitions

Budget: A statement of anticipated revenues to be used for planned expenditures.

Capital Improvement Fund: A fund that is set aside for major asset and system purchases, maintenance, and improvements.

Cash: The actual cash contained on hand or in a financial institution, to include any cash invested through the Pierce County Treasurer.

Cash reserves: A portion of cash that is set aside in any fund for short-term, mid-term, and long-term sustainability without needing to incur debt.

Current Year Revenue: A combination of new revenue, use of fund balance, and transfers from a Levy Sustainability Fund.

Expenditure management: A process to capture and report actual expenditures compared to the budget of planned projects and operations.

Fund Balance: The projected available cash after satisfying all recorded liabilities and accruals to be paid.

Funding Cycle: A multiyear fiscal strategy will likely have three phases that may or may not be sequential. Phase 1: The Library receives more money than is expended, and additional funds are deposited into the Levy Sustainability Fund. Phase 2: Revenue and expenditures are in balance and no

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funds are deposited into or withdrawn from the Levy Sustainability Fund. Phase 3: Expenditures exceed revenue and funds are withdrawn from the Levy Sustainability Fund to close the shortfall.

General Fund: A public sector accounting term for the primary fund to operate a governmental entity. It records all financial activities to conduct day-to-day business.

Levy Sustainability Fund: A Special Revenue Fund that is used to accumulate cash at the beginning of a Funding Cycle in order to balance subsequent budgets without incurring major reductions in services.

Special Revenue Fund: A fund that is designated by the governing body as having a restricted or committed use for specific purposes.

Property and Facility Fund: A Special Revenue Fund that is used to accumulate funds for purposes of purchasing property, land development, and major facilities construction.

Elections Fund: A Special Revenue Fund that is used to accumulate funds for purposes of paying for election costs, primarily ballot printing and mailing costs, legal costs, and consulting costs.

Policy

The Library Board of Trustees establishes the following fiscal management policy, which requires Board Action to enforce, make decisions, make exceptions, or otherwise implement to the extent law allows:

1. Current year general fund operations are funded from current year revenues.
2. Cash may be transferred among funds.
3. Debt may be incurred as a last resort.
4. Cash reserves is a fiscal resource to stabilize long-term library sustainability. Cash reserves may be used but not as a sole substitute for budget reductions to meet economic challenges.
5. Upon declaring a need for cash reserves to address a severe emergency having effects that cannot be addressed through the existing budget, the Board may pass a motion to release cash reserves for purposes of continuity of operations and services. Examples of emergencies are a natural disaster or a virulent pandemic.
6. Cash reserves in all funds shall maintain positive fund balances that plan and account for fiscal year patterns of revenues and expenses. The General Fund shall have adequate cash reserves beginning January 1 of every fiscal year to pay for anticipated expenses until the first major property value receipt occurs on or around May 1. The Capital Improvement Fund shall have adequate cash reserves beginning January 1 of every fiscal year to pay for anticipated expenses until the General Fund transfer occurs during the fiscal year. Specific guidelines shall be managed under Library Responsibility below.

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7. The Library Board of Trustees may set cash reserve balances for any Fund as circumstances require.
8. For purposes of managing the Library's finances, additional fund types may be implemented.
9. To pay for capital improvement projects, a Capital Improvement Fund is established and funded appropriately by and through General Fund transfers and other multiple funding sources including but not limited to, grants, donations and distributions from external sources such as a Foundation, restricted or unrestricted revenues, special set-asides, and other sources of revenue.
10. To pay for special purpose projects, a Special Revenue Fund called the Special Purpose Fund is established and funded appropriately by and through multiple funding sources including but not limited to, grants, donations and distributions from external sources such as a Foundation, restricted or unrestricted revenues, General Fund transfers, special set-asides, and other sources of revenue.
11. To manage funds for a funding cycle's fiscal sustainability, a Special Revenue Fund called the Levy Sustainability Fund is established and funded appropriately by and through multiple funding sources including but not limited to, direct tax revenue receipts, General Fund transfers, and any other sources designated for fiscal sustainability.
12. To manage funds for future land and buildings, a Special Revenue Fund called the Property and Facility Fund is established and funded appropriately by and through multiple funding sources including but not limited to, direct tax revenue receipts, General Fund transfers, and any other sources designated for land and buildings.
13. To manage funds for future election costs, a Special Revenue Fund called the Elections Fund is established and funded appropriately by and through multiple funding sources including but not limited to, direct tax revenue receipts, General Fund transfers, and any other sources designated for elections.
14. When there are unanticipated revenues and savings, the Board will consider transferring all or some portion thereof to any other fund.
15. The Board approves an annual budget for revenues and expenditures in each fund, and any substantial modifications throughout the year.
16. The annual budget process anticipates the need for long-term sustainability of services and future system expansion and improvement, and allocates revenue accordingly. The Board recognizes that in the absence of new revenue sources such as annexations, levy lid-lifts, or bonds, additional services from system growth will need to be funded mostly through reductions in operational costs.

Library Responsibilities

The Board expects the Library staff to carry out the following responsibilities:

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1. Establish and administer a budget and expenditure management system to meet the goals of this policy.
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 a multiyear Funding Cycle and maintain a Sustainability Fund strategy to sustain services to the Library's communities.
4. Establish and maintain a current year cash-flow solvency strategy to sustain positive balances that ensure short-term debt is not used to pay for operations. Cash of at least four months of anticipated operating costs shall be available in the fund balance as of January 1 of each fiscal year. This four-month cash balance is calculated with all yearend payables having been satisfied.
5. Develop and manage fiscal practices and strategies so that cash reserves have at least two percent (2.00%) of the following year's anticipated revenues in addition to the amount set aside for General Fund solvency.
6. Administer a long-term cash-flow projection as an anticipatory approach to budget for and meet the Library's expenditure needs for future operations, including bill management.
7. Implement the State of Washington's Budget, Accounting, and Reporting System (BARS).
8. Furnish to the Board appropriate financial reports on a monthly basis, and deliver the annual report to the Board subsequent to filing it with the State of Washington.
9. Make efforts to reduce operational costs as part of the annual budget process anticipating that future service expansion may need to be met without significant future revenue increases.
10. Maintain a goal of 4% of average annual General Fund revenues in the year-end Capital Improvement Fund Balance over a ten-year period.
11. Bring to the board for approval purchase orders or payments above a Board-designated dollar threshold as stated in the Purchasing and Procurement Board Policy. Purchases of materials (books, movies, databases and related subscriptions, etc.) are exempt from this clause.

The Board of Trustees shall review this fiscal management policy prior to or in conjunction with considerations of the annual fiscal year budget process, and amend it as deemed appropriate.

Board Policy 3.15

Adopted by the Pierce County Rural Library District Board of Trustees, August 3, 1995. Revised and approved on: June 13, 1996; July 23, 1998; June 9, 2004; August 8, 2007; October 14, 2009, November 18, 2015, September 13, 2017, July 10, 2019, December 11, 2019, September 8, 2021, and September 14, 2022