

Fiscal Management Policy

Policy Statement

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. This comprehensive policy encompasses fiscal management, food purchases, and payment of claims.

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.

Purpose

The purpose of this policy is to outline fiscal management policies and measures used to align with RCW 27.12.070. This policy also provides guidance to ensure the board of trustees and library employees understand our responsibilities for fund and fiscal management. Other areas of responsibility outlined in this policy support transparency of fiscal management of public funds.

Policy

Fiscal Management

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

1. *Current Year Operations*: Current year general fund operations are funded from current year revenues.
2. *Cash Transfers*: Cash may be transferred among funds.
3. *Debt Incurrence*: Debt may be incurred as a last resort.
4. *Cash Reserves*: 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. *Emergency Release of Cash Reserves*: 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. *Maintenance of Positive Fund Balances*: Cash reserves in all funds shall maintain positive fund balances that plan and account for fiscal year patterns of revenues and expenses.

- a. 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.
 - b. 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.
 - c. Specific guidelines shall be managed under Library Responsibility below and in the Library Finance Guidelines Manual.
7. *Board Authority on Cash Reserves*: The Library Board of Trustees may set cash reserve balances for any Fund as circumstances require.
8. *Additional Fund Types*: For purposes of managing the Library's finances, additional fund types may be implemented.
9. *Establishment of Funds*: Various funds, such as the Capital Improvement Fund, Special Purpose Fund, Levy Sustainability Fund, Property and Facility Fund, and Elections Fund, are established and funded appropriately for specific purposes as outlined in the Library Fund Management section.
10. *Unanticipated Revenues or Savings*: When there are unanticipated revenues and savings, the Board will consider transferring all or some portion thereof to any other fund.
11. *Annual Budget Approval*: The Board approves an annual budget for revenues and expenditures in each fund, and any substantial modifications throughout the year. The annual budget process anticipates the need for long-term sustainability of services and future system expansion and improvement and allocates revenue accordingly.
12. *Amended Budget Approvals*: The Board may approve amended budgets for various funds throughout the year if deemed necessary.
13. *Reduction of Operation Costs*: The Board recognizes that in the absence of new revenue sources such as annexations, levy lid lifts, or bonds, additional services and cost from system growth will need to be funded mostly through reductions in operational costs.
14. *Physical Cash Handling*: The Library maintains no petty cash funds and accepts no physical cash in any denomination as a form of payment, including coins and paper-based forms. The only exception for physical cash handling is monies that are found at the Library, which will be handled through guidelines outlined in the Finance Guidelines Manual.
15. *Policy Review*: The Board reviews this Fiscal Management Policy annually, particularly during the fiscal year budget process, and makes amendments as necessary.

Library Fund Management

1. *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.
2. *Funding*: In accordance with the State Auditor BARS Cash Manual, General Fund transfers, grants, donations, and other revenue sources including but not limited to, distributions from external sources such as a Foundation, restricted or unrestricted revenues, special set-asides, and other sources of revenue, fund the following funds:
3. *Capital Improvement Fund*: A Capital Improvement Fund is established to pay for capital improvement projects, including, major asset and system purchases, maintenance, and improvements.
4. *Special Revenue Fund*: A fund that is designated by the governing body as having a restricted or committed use for specific purposes.
5. *Special Purpose Fund*: A Special Revenue Fund called the Special Purpose Fund is established to pay for special purpose projects.

6. *Levy Sustainability Fund*: To manage funds for a funding cycle's fiscal sustainability, a Special Revenue Fund called the Levy Sustainability Fund is used to accumulate cash at the beginning of a Funding Cycle in order to balance subsequent budgets without incurring major reductions in services. Aside from the other funding resources, this fund may also receive direct tax revenue receipts.
7. *Property and Facility Fund*: To manage funds for future land and buildings, a Special Revenue Fund called the Property and Facility Fund is established and is used to accumulate funds for purposes of purchasing property, land development, and major facilities construction.
8. *Elections Fund*: To manage funds for future election costs, a Special Revenue Fund called the Elections Fund is established which is used to accumulate funds for purposes of paying for election costs, primarily ballot printing and mailing costs, legal costs, and consulting costs.
9. *Debt Service Fund*: This fund is established to finance financial resources that are restricted, committed, or assigned (intended) to expenditure for principal and interest.
10. *Fund Transfers*: As indicated in the Board Responsibility's section, the Board may transfer unanticipated revenues and savings to other funds as deemed appropriate with Board Action.

Bonding

1. *Councilmanic Bonds*: These bonds are also called limited tax general obligation (LTGO) bonds or non-voted debt, may be issued by a vote of the legislative body. Because the voters have not been asked to approve a tax increase to pay for the principal and interest, general fund revenues must be pledged to pay the debt service on LTGO. It is important to note that LTGO debt does not provide any additional revenue to fund debt service payments but must be paid from existing revenue sources. The Library may issue this type of debt at a rate of one tenth of 1% of the Library assessed valuation. The borrowing entity must repay the debt within twenty years.
2. *Library Capital Facility Area (LCFA)*: A quasi-municipal corporation and independent taxing authority within the meaning of Article VII, section 1 of the state Constitution, and a taxing district within the meaning of Article VII, section 2 of the state Constitution, created by a county legislative authority of one or several counties. A Library Capital Facility Area may include all or a portion of a city or town. The Library would create a specific area to include, for example, one or two cities and a portion of unincorporated Pierce County. This forms a Library Capital Facility Area within which a bond would be issued. An LCFA proposition includes (1) the creation of the LCFA taxing district and (2) approval of bonds for construction of one or more library buildings, which requires a passage of 60% majority, as well as a 40% voter turnout from the previous general election. Because an LCFA forms a separate taxing district, it does not affect the overall debt capacity of the Library.
3. *Unlimited Tax General Obligation Bonds (UTGO)*: When voters are asked to approve the issuance of these bonds, they are simultaneously asked to approve an excess levy which raises their property taxes to cover debt service payments. UTGO bonds can be used only for capital purposes. Replacement of equipment is not a permitted use. Bonds may be issued as a measure to voters in the taxing district and requires a passage of 60% majority, as well as a 40% voter turnout from the previous general election. The Library's maximum legal debt capacity is one-half of 1% of the Library District's assessed valuation, and in the simplest form may be levied up to 30 years.
4. *Other Funding Measures*: Other State or Federal programs that make funds available to local governments for capital purposes will be considered on their own merits.

Library Responsibility

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

1. *Expenditure Management*: Establish and administer a budget and expenditure management system to meet the goals of this policy. Implement the State of Washington's Budget, Accounting, and Reporting System (BARS). Furnish the Board appropriate financial reports on a regular basis, and deliver the annual report to the Board subsequent to filing it with the State of Washington.
2. *Guidelines and Procedures*: Financial guidelines and procedures for Library staff in managing the Library's finances are established in written format in the Library Finance Guidelines Manual. This manual is kept current and enforced to implement this policy.
3. *Strategy*: Establish a multiyear Funding Cycle and maintain a Sustainability Fund strategy to sustain services to the Library's communities. 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.
4. *Solvency*: 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. Prudently invest with the county any cash not anticipated to be utilized in any funds for current liabilities.
5. *Fund Reserves and Balances*: 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. Maintain a goal of 4% of average annual General Fund revenues in the year-end Capital Improvement Fund Balance over a ten-year period.
6. *Budget*: Develop an annual budget calendar and timeline to review budget strategies and priorities with the Board. Present a draft and final balanced budget for public meetings to the Board of Trustees. 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.
7. *Costs above approved threshold*: Bring to the board for approval of purchase/change orders or payments, or both, 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.

Food Purchase

At the Executive Director's discretion (or designee), the Library may purchase food and beverages and serve them in connection with Library-sponsored activities, events, and meetings.

Approval and administration of these purchases shall be documented thoroughly to align with auditor requirements, purchases shall be inexpensive, and the effort necessary to purchase, prepare, and present shall be minimum in nature.

Purchase of alcoholic beverages with Library funds is not allowed.

Payment of Claims

The Board authorizes periodic updated resolutions titled *To Designate Primary and Alternate Signatory, Investment, and Auditing Officers* to formally appoint Auditing Officers who audit and certify all claims prior to payment. Past library resolutions confirm that the entire process for auditing, certifying and payment of claims shall be conducted according to appropriate Washington State law and Washington State Auditor's rules, including a blanket voucher certification process.

All such claims paid in advance of a Board meeting shall be included on a list delivered electronically to the Board members prior to the Board meeting. All relevant paperwork associated with each paid claim shall be available for Board review via electronic means prior to and at each Board meeting. Any claims of an unusual nature or of a type so designated by the Board shall be held for approval of the Board at their regular meeting.

Definitions

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

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.

Related Policies/Procedures

[Comprehensive Purchasing and Procurement Policy](#)