

**LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT
ACCOUNTING POLICIES AND PROCEDURES
EFFECTIVE FEBRUARY 11, 2002**

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Allowable Costs	2
Payroll Expenses	2
District Mileage Reimbursement	2
District Travel Reimbursement	3
Other District Cost Reimbursement	3
Grant Process	3
Review and Approval Process	3
Internal Controls	3
Inventory	4
Financial Statements	4
Finance Committee	4
Finance Committee Meetings	4
Annual District Budget Process	5
Financial Report Process	5
Budget Changes	5
Annual Audit	5

Allowable Costs

Use of District funds shall be limited to those costs that are incurred by District staff and/or Board Members in the performance of District related activities. The use of District funds for any purpose must meet the following criteria:

- ! It is for a District related matter in the ordinary course of conducting business.
- ! It is allowable under District regulations.
- ! It is, or should be, incorporated in the District approved budget.
- ! It is approved by the Board Chair.
- ! If it is for a Board Member stipend, it must be for a regular or a special monthly Board meeting or committee meeting.
- ! For any Board Member expense other than stipends, it must have been requested to and approved by the Board Chair.
- ! All invoices for payment must be in connection with a contract and/or agreement authorized by the District Board for District business. Examples include: Archer Norris, FYI Deliverex, Pacific Bell, and AT&T.

The use of District funds for the reimbursement of allowable District expenditures must be approved by either the Board Chair, Board Vice Chair, or Board Treasurer prior to issuance. Any check with an amount over \$2,000 must be signed by two of the above referenced Board Members. No Board Member can sign a District check for themselves.

Payroll Expenses

The firm of Paychex has been contracted to perform payroll services for the Los Medanos Community Healthcare District. The office secretary reports payroll information twice monthly and Paychex processes all paychecks and submits required payroll reports and withholding reports to the Internal Revenue Service and the State of California as well as sending out annual W-2 statements.

District Mileage Reimbursement

District Board and staff performing District related business may be reimbursed 36.5¢ per mile. The amount per mile reimbursed shall be adjusted by the District Board on at least an annual basis as per current IRS code. Any Board Member or staff who wants to charge mileage must first request and obtain prior written approval by the Board Chair in order to be reimbursed with District funds.

District Travel Reimbursement

District Board and staff considering the performance of District related business that requires travel costs (lodging, transportation, and miscellaneous) must first request and obtain prior written approval by the Board Chair in order to be reimbursed with District funds.

Other District Cost Reimbursement

District Board and staff may be reimbursed for costs incurred for the purpose of conducting District related business. Examples include, but are not limited to, the following: telephone charges, fax charges, and business meals. All requests for reimbursement must first be requested to and approved in writing by the Board Chair.

Grant Process

The Board will include a line in the budget that will allow the use of some monies to be distributed for allowable grants. The Board shall solicit requests from individuals or organizations within the District boundaries that submit on a timely deadline the nature, scope and budget for a grant request. The purpose of the grant request shall be required to fall under Section 3 of the Los Medanos Community Healthcare District Bylaws Primary Purpose. Grants require Board approval in order to allow expenditure.

Review and Approval Process

Expenditures that have been considered and included in the annual approved budget will be considered viable District expenses and not need further approval by the Board. However, every invoice shall be initialed as approved for payment by a Board member. Once approved, the District office secretary shall prepare the check for signature by an authorized signer of the Board checking account. Any expenditure in excess of \$2,000 shall require two signatures of the authorized representatives of the District. Any other expenditures with a cost at or over \$5,000 shall require prior Board approval in order for the service or purchase to take place. All capital expenditures, whether included in the approved budget or not, shall require prior Board approval.

Internal Controls

District staff, contractors, and Board Members will ensure that reasonable internal controls are established and maintained for all District controlled assets including cash, certificates of deposit, equipment, and all other District assets. As a District policy, there will be a \$250 petty cash account that will be reconciled and replenished when the cash in the petty cash falls below \$50. Petty cash shall be kept in a locked box under the control of the Board office secretary. All District funds will be retained in District controlled bank accounts. The bank(s) chosen to deposit District funds shall be insured by the federal government. District accounts shall include a checking account for District expenditures, a District savings account, and, if appropriate, District certificates

of deposit. The District Board of Directors must first approve any transfer of District funds to a certificate of deposit in an agenda meeting.

Expenditure of all District funds shall be conducted in the manner described in the Section entitled **Review and Approval Process**.

Inventory

The District shall ensure that a written record be maintained of all equipment purchased with District funds. The District shall keep inventory records of the Property, Plant and Equipment.

Financial Statements

Once the monthly bank statements have been received in the District Office, the Board secretary will schedule an outside accountant to compile the financial statements from the District records. The statements shall include but not be limited to:

- Balance Sheet
- Income Statement
- Cash Disbursement Register
- Cash Receipts Register
- General Journal Entries
- General Ledger
- Income Statement Comparison to Budget

Once completed, the outside accountant shall give a copy of the package to the District Office with a copy available for the Treasurer.

Any questions by the Treasurer on the financial statements shall be answered by the outside accountant. The accounting system is to be kept by the District in the District Office with supporting documentation.

Finance Committee

The District Board has the option of appointing a Finance Committee. The Finance Committee shall consist of the Board Chair, the Board Treasurer, and a third member of the District Board elected by a majority of said Board. The powers, duties, and responsibilities of the Finance Committee shall be determined by the District Board and follow the procedures set forth in the LMCHD Bylaws, Article V, Committees, Section 1, General Provisions.

Finance Committee Meetings

The Treasurer shall, at their discretion, notice and chair monthly special meetings of the Finance Committee. The location, date, and time of the meeting shall be decided by a majority of the Finance Committee. However, if the number of checks written in a

month falls to a minimum or the activity is minor, then the Treasurer shall report the activity in the regularly scheduled meeting without the need for a special monthly meeting.

Annual District Budget Process

Each year the District Treasurer will prepare for the April District Board meeting a proposed budget for the next fiscal year. At a minimum, the budget should be comprised of Estimated Revenues and Estimated Expenditures. Estimated expenditures should be broken out by major line items (Personnel, Fringe Benefits, Public Benefit Grants, etc.) and should reflect within reason actual and projected expenditure patterns for the current fiscal year. As a rule, Estimated Revenues should not exceed the projected amount awarded for the current fiscal year. The Board should adopt the proposed budget by the April meeting to permit adequate implementation time for program operations for the next fiscal year as designated by the adopted budget. The adopted budget shall be reported into the Peachtree accounting system by the outside accountant.

Financial Report Process

Each month the District Treasurer shall have prepared for the monthly District Board meeting a financial report that will include a balance sheet, income statement, change in financial position, checks and receipts for the month, journal entries, and general ledger prepared by the outside accountant. For example, the District Board meeting for the month of January will report expenditures for the period of July 1 through November 30. This "lag time" is necessary to permit the completion of an accounting cycle. The monthly report will report and compare monthly and cumulative fiscal activity on a line item by line item basis against the District adopted budget. A written report will typically accompany the financial report. The financial report should be agendaized as part of the monthly meeting process and should be accepted and approved by the District Board.

Budget Changes

The Board Chair has authority to expend District funds not to exceed twenty percent (20%) of any budgeted line item in the District approved budget provided there are unspent funds in other budget line items that can make up this difference. Any change in the budget that will exceed any cumulative amount plus twenty percent (20%) must be approved in a budget change request to the District Board.

Annual Audit

Each year the District will have an independent audit conducted of its financial statement for the preceding fiscal year. The audit will be conducted by a Certified Public Accountant (CPA) or CPA firm in accordance with regulatory requirements. The proposed audit should be submitted to the District Board for review and consideration on an annual basis. The State Controller's Office requires that this audit be completed no later than the 12th month from the end of the fiscal year.

