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1. **CONTRACTS AND AGREEMENTS**

- A. Any contract or agreement brought before the Board of Supervisors for execution requiring periodic renewal is to be renewed at least 60 days prior to the date on which it would otherwise expire. Department heads who have primary responsibility for administration of contracts shall be responsible for complying with this policy.

(Board of Supervisors Memo No. 84-381; 8/14/84)

- B. Contracts and agreements shall be approved and signed by the following individuals before being placed on the Board's agenda for discussion and approval:
1. The organization or individual with whom the contract is negotiated.
 2. County Counsel for approval as to legal form; and Contracts and agreements not complying with the above will be returned to the originating department

(Board of Supervisors Memo. No. 85-371, 6/3/85 Memo No. 86- 1058, 10/4/86)

- C. Department heads should consult with Risk Management to determine the type and amount of insurance coverage to be included within proposed contracts between the County and other parties. If the contract is a lease or rental agreement, it must be submitted to Risk Management for review prior to being submitted to the Board of Supervisors.
- D. When an escalator clause is included in a County contract or lease agreement, it shall be based on the following criteria: 90% of the U. S. Department of Labor "U. S. City Average" Consumer Price Index (CPI)

(Board of Supervisors Action 5/5/87)

2. **REQUESTS FOR PROPOSALS (RFPs)**

All drafts for RFPs must be submitted to Risk Management for review prior to being finalized and distributed to prospective contractors. Risk Management will advise the requesting department on the type and limits of insurance coverage that will be required by the County when a contract is entered into. Such insurance requirements may then be incorporated into the text of the RFP.

(Board of Supervisors 1/12/88)

3. **VOID WARRANT REPLACEMENT**

The Auditor-Controller has Board of Supervisors authorization to draw new warrants to replace void (outlawed) warrants.

(Board of Supervisors 8/18/81)

4. **ABATEMENT PROCEDURE FOR CHANGE IN OWNERSHIP STATEMENT PENALTY**

- A. The provisions of subdivision (a) of Section 483 of the Revenue and Taxation Code shall not apply in the County of Lake.
- B. The penalty provided for in subdivision (a) of Section 482 of the Revenue and Taxation Code shall be abated if the assessee files the change of ownership statement with the assessor no later than sixty (60) days after the date on which the assessee was notified of the penalty.
- C. If the penalty is so abated, it shall be cancelled or refunded in the same manner as an amount of tax erroneously charged or collected.

(Board of Supervisors Resolution No. 83-77; 3/15/83)

5. **ALLOCATION OF INTEREST EARNED FROM UNAPPORTIONED PROPERTY TAXES**

- A. Interest earnings from unapportioned property taxes shall be allocated to each taxing entity on a proportional basis rather than entirely to the County General Fund.

(Board of Supervisors, 4/23/91)

6. SPECIAL ASSESSMENT AND MELLO-ROOS DISTRICT INFRASTRUCTURE BOND FINANCING POLICY

The County of Lake will consider requests from developers or property owners to form special assessment or community facilities districts and to issue bonds to finance eligible public facilities necessary to serve residential, commercial or industrial development projects.

General Policies

- A. Facilities will be financed in accordance with the provisions of the Improvement Act of 1911, the Municipal Improvement Act of 1913 and the Improvement Bond Act of 1915, or the Mello-Roos Community Facilities Act of 1982.
- B. Unless otherwise determined by the Board of Supervisors, the assessment proceedings shall be commenced only by petition.
- C. All County costs, including contracts with independent consultants and County staff time, shall be paid by the developer by advance deposit increments.
- D. Assessment district bonds may be used to finance only those improvements which will become the property of the County of Lake and the maintenance responsibility 7-2 (5/99) of the County.¹ Assessment district financing shall not be used to reimburse the developer for the value of land or rights-of-way which have been required to be dedicated to the County as part of the subdivision procedure.
- E. The public improvements constructed shall meet all County standards specified in the Subdivision Ordinance and implementing regulations.

Public Benefit

Public financing of the infrastructure must be found to provide a public benefit. Public benefits of the project will be established prior to provisional authorization through a developer agreement or other mechanism. Findings of public benefit will be included in formation documents and all funding, acquisition, and disclosure agreements.

County Expenses

The County shall not advance any costs or services in connection with the assessment proceedings for the issuance of bonds. All such costs or services shall be paid for up-front by the developer, who shall make a cash deposit in an amount determined by the County for each particular project which shall be used to pay for such costs or services. Said deposit shall be replenished from time to time as necessary to cover said County costs and services. County personnel shall keep records of time and expenses spent on district proceedings for purposes of verifying the fees to be charged for services.

¹ Certain improvements that are dedicated for public use, but not maintained by the County, may be eligible if a maintenance mechanism, acceptable to the County, is provided.

These County costs shall be included in the estimated costs of the project and may be paid from the proceeds of the assessment. Such costs and services are as follows:

- A. The costs of mailing, posting, and publishing all notices required by law;
- B. Charges of Public Works Department for plan checking and inspection;
- C. Charges of the County Surveyor for checking and filing the assessment district diagram;
- D. Charges of the County Recorder for filing the boundary map and assessment diagram and notice of assessment and amendments thereto;
- E. Charges of the County Counsel, Treasurer or Auditor-Controller or any other County official, for services performed by such official in connection with the proceedings prior to the delivery of the bonds.

Selection of Consultants

All consultants shall be selected by the County in accordance with the County's normal selection procedures. This includes, but is not limited to, bond counsel, underwriter, financial advisor, appraiser, market absorption study consultant, special tax consultant, and engineers.

Developer Requirements

Written proposal. To apply for infrastructure financing under this policy, the developer shall submit a written proposal to the Board of Supervisors Office. The proposal shall include a description of the scope of the project, type of improvements to be financed, the provision to maintain the improvements, proceedings (1911 Act, 1913 Act, or Mello-Roos) to be followed, amount of financing, and any other information regarding the project.

Financial ability. The developer shall submit audited financial statements and any other information, as may be requested by the County, to demonstrate his ability to pay all assessments or special taxes before full build-out occurs.

Land ownership. The developer shall own the property prior to the County initiating the process to issue bonds for infrastructure financing.

Project Requirements

- A. Absorption study. The developer may be required to submit a market absorption study to demonstrate the success of the project. The County shall have discretion to retain a consultant to either verify the assumptions and conclusions of the developer's study or to prepare an original study if one has not already been prepared by the developer. In either case, the consultant shall be selected by the County and paid by the developer through advance deposit.
- B. Value-to-lien ratio. The project property value-to-lien ratio should be at least 3:1 after improvements are installed and considering any prior or pending overlapping special taxes or improvement liens. Although this ratio is typically cited as an average for the entire project, each parcel in the district should also have a 3:1 value-to-lien ratio.

- C. Additional security. The County recognizes that a value-to- lien ratio of 3:1 is no guarantee of creditworthiness; therefore, a letter of credit or escrow fund deposit may be required to ensure payment of the assessments or special taxes until the parcels are sold. For those parcels with a value-to-lien ratio of less than 3:1, a letter of credit or escrow fund deposit shall be required to ensure payment of the assessments or special taxes. The term of such security shall be the length of time, as determined by the appraiser, anticipated for the subject parcels to achieve a value-to-lien ratio of 3:1.

The letter of credit shall be issued by an institution in a form and upon terms and conditions satisfactory to the County. All fees payable on the letter of credit or escrow fund shall be the sole responsibility of the developer.

Required Special Funds

Assessment and/or Community Facilities District bonds will be issued only when it can be demonstrated that a financing of solid structure and strong marketability can be implemented. This requires that a sufficient bond reserve fund, capitalized interest fund, and administrative expense fund will be established.

Formation and Financing Provisions

All district formations and financing shall proceed in accordance with the provisions of the Improvement Act of 1911, the Municipal Improvement Act of 1913 and the Improvement Bond Act of 1915, or the Mello-Roos Community Facilities Act of 1982.

Commencement of Assessment Proceedings by Petition

- A. The petition shall be executed by the owner(s) of at least sixty percent (60%) of the assessable area within the proposed assessment district. It shall be prepared by bond counsel and shall expressly provide the petitioner(s)² consent to supplemental assessment proceedings which may be required to complete the financing of the improvements.
- B. The property owners presenting a petition shall designate a spokesperson for the property owners, which person shall be responsible for the following:
- 1) Advising all property owners to contact this spokesperson for answers to all questions concerning the assessment district matters;
 - 2) Contacting the appropriate County representatives to obtain answers to questions he or she is unable to answer; and
 - 3) Informing property owners that any estimated cost figures supplied to them prior to the engineer's estimate as approved by the Board of Supervisors must not be relied upon.

Acquisition Provisions

Unless otherwise authorized by the County, the acquisition provisions of the Municipal Improvement Act of 1913, or the Mello-Roos Community Facilities Act of 1982 shall be

² Also developer or owner.

utilized. The County and the applicant shall mutually agree upon the facilities to be acquired and the method of determining reasonable acquisition costs.

Existing Improvements

If there are existing improvements in the subdivision that are to be acquired through the assessment proceedings, the engineer of work will furnish to County his analysis of whether such improvements are necessary, proper and adequate and whether they meet County standards, and will also establish the value thereof.

Supplemental Assessment

If bonds are sold prior to the preparation of final plans and specifications suitable for calling for construction bids and the assessment levied is insufficient to cover all the costs of the project, the Board of Supervisors shall order a supplemental assessment sufficient to cover the costs.

Approval by Engineer of Work

The engineer of work shall provide on-site inspection and approvals of the construction of the improvements which shall be subject to review by the appropriate County officials.

(Adopted by the Board of Supervisors 5/16/95)

7. POLICY PROHIBITING LINE ITEM OVERDRAFTS
(Adopted by Board of Supervisors Resolution #96-186)

County Departments are not authorized to overdraft line item sub-object appropriations within their budget units. Departments should not submit payment requests to the Auditor for which they do not have sufficient funds budgeted. If a particular line item sub-object code does not have sufficient funds, the department will need to request a budget transfer before requesting payment from the Auditor's office. The Auditor's office does not have the authority to release payment until a fully executed budget transfer has been received.

8. COLLECTIONS

A. PURPOSE:

This policy was implemented because a study indicated that the County was writing off bad debts and losing substantial amounts of money as a result of a lack of a formal collections agent for the County. Consequently, on May 25, 1982, the Board established a collection agent position under the direction of the Tax Collector-Treasurer.

B. GENERAL POLICY:

It will be the policy and directive of the Board that each department head shall be responsible for taking full advantage of the services offered by the County's in-house collections agent to the end that all monies due and owing to County shall be collected by the Department or referred to the in-house collections agent for collection. In order to get the best results from this service, each department submitting an item for collection must supply all possible information and documents regarding the debt and debtor. To facilitate this, it is recommended that the appropriate Collection Data Sheet accompanying this policy be utilized.

C. PROCEDURES:

1. Collection of all delinquent (overdue in payment) accounts shall be the responsibility of the Tax Collector's office.
2. Departments which collect accounts shall transfer all records of delinquent accounts to the Tax Collector's office within thirty (30) days of the date on which the account became past due.
3. The Tax Collector's office shall develop standardized procedures for collection of past-due accounts and shall inform each department of the procedures and information necessary to transfer delinquent accounts.
4. The Tax Collector's office shall periodically provide each department with a status of account report for delinquent accounts from that department.

(Board of Supervisors Action 10/6/87)

9. **COUNTY OF LAKE TRANSIENT OCCUPANCY TAX USAGE & EXPENDITURE POLICIES & PROCEDURES**

A. PURPOSE

The following policies and procedures provide history and guidelines for the expenditure of Transient Occupancy Tax (TOT) funds.

B. HISTORY

TOT is authorized by Section 7280 of the Revenue and Taxation Code which does not limit the uses which can be made of the TOT revenue.

The sections of the Government Code which are the basic authority for the Board of Supervisors to spend monies to advertise and promote the County are to be found in Division 2, Part 2 Chapter 11 beginning at Section 26100.

C. ALLOCATION OF FUNDS

The revenue collected from the nine (9) percent Transient Occupancy Tax (TOT), implemented by Ordinance No. 2033, shall be allocated among the following programs:

1. Revenues generated from one percent (1%) of the nine percent (9%) tax rate shall be allocated to fund the Clear Lake aquatic weed program and other programs for the enhancement of Clear Lake which benefit the local tourism industry.
2. Revenues generated from one percent (1%) of the nine percent (9%) tax rate shall be allocated to the Lake County Parks Division for purposes of operating, maintaining and improving the County's parks and recreation facilities in the unincorporated area of Lake County, for the benefit of the local tourism industry.
3. \$150,000 of the annual TOT revenues received shall be allocated to support those law enforcement services in the unincorporated areas of Lake County which are necessary to support the local tourism industry.
4. No more than \$95,000 of the annual TOT revenues received shall be allocated to support the County Museums.
5. The balance of revenues generated from the nine percent (9%) tax rate shall be allocated to the County Marketing and Economic Development Program to be used for advertising and promoting tourism and commerce in Lake County, including general economic development activities; funding highway and tourist oriented signage projects; funding tourism infrastructure and funding operation of the County's Visitor Information Center(s).

The TOT allocation, as described above, shall be reviewed annually during County budget hearings. The purpose of the review is to determine whether or not the TOT

allocations specified above should be revised to reflect the most effective means to promote tourism and economic development in Lake County.

(Board of Supervisors Resolution No. 95-189 dated 9/5/95, and amended 7/22/04)

10. FIXED ASSET POLICY

A. SCOPE

This policy applies to all County Departments under the supervision and control of the Board of Supervisors or for which the Board is the ex-Officio governing body.

B. RESPONSIBILITIES

It is the responsibility of the Office of the Auditor-Controller and the County Administrative Office to Administer and oversee the provisions of this policy.

C. PURPOSE

The purpose of this policy is to safeguard, maintain, and provide uniform guidelines and procedures for classifying, valuing, and accounting for fixed assets owned by the County of Lake.

D. BACKGROUND

Governmental Accounting Standards Board Statement 34 (GASB 34) requires governments to provide basic financial statements that include government-wide and fund financial statements. Capital assets are not reported as assets in the individual governmental funds, but are reported in the governmental activities in the government-wide statements. Capital assets are reported as assets on the balance sheet in the individual proprietary funds. Although the reporting of capital assets is different for governmental and proprietary funds, the procedures outlined in this policy are generally intended to apply to both fund types.

In order for the County to comply with GASB 34, it must depreciate all capital assets, implement an acceptable method of infrastructure reporting, and establish an acceptable depreciation method. Depreciation may be based on the estimated useful life of a class of assets, a network of assets, a subsystem of a network, or individual assets. The County has chosen the straight-line depreciation method.

E. CAPITALIZATION THRESHOLD

- Asset inventory listings shall be maintained for the following assets:
- Land
- Structures and Improvements
- Equipment with a unit cost greater than \$300
- Assets required to be accounted for by Federal or State reporting requirements
- Assets which are easily movable and vulnerable to theft

Fixed assets meeting the following criteria are considered to be capital assets under GASB 34 and will be maintained in the County Capital Asset Management System:

Classification	Useful Life	Capitalization Threshold
Land	n/a	\$ --
Structures and Improvements	at least one year	\$25,000
Equipment	at least one year	\$ 5,000

Infrastructure	At least one year	\$25,000
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Except for land, only fixed assets meeting the above threshold criteria are depreciated.

F. GENERAL VALUATION

Capital assets are generally acquired by purchase, transfer, or donation. Capital assets acquired by purchase or transfer (i.e. from another department) shall be accounted for at historical cost, or if historical cost is not practically determinable, an estimated cost at the time of acquisition should be used. Historical cost includes original purchase price plus all ancillary charges necessary to place the asset into its intended location and condition for use. Charges for freight and transportation, site preparation, and sales and use taxes are considered to be ancillary charges. Donated assets should be recorded at their estimated fair market value on the date of the donation.

G. CAPITAL ASSET DEFINITION

Capital assets can be described as tangible or intangible assets that are used in governmental operations and have initial useful lives of at least one year.

Intangible assets: Assets that typically have no physical substances, such as water rights, copyrights, trademarks, patents, or goodwill. Intangible assets must be able to be identifiable, either because the asset is separable or because the asset arose from contractual or other legal rights. The asset is separable if it can be sold, transferred, licensed, rented, or exchanged.

Tangible assets: Assets with physical substance, such as land, improvements to land, easements, buildings, vehicles, machinery, equipment, and infrastructure and having significant value and are of a permanent nature.

The criteria for determining capital assets will be based on estimated useful life and a "capitalization threshold." The capitalization threshold is the monetary value established for classifying a capital asset. Capital assets are generally classified in four categories, which include land, structures and improvements, equipment, and infrastructure. Each classification has its own capitalization criteria.

(1) LAND

Land is defined as real property that is purchased or acquired by gift or bequest for operating purposes regardless of value. Other definitions of land are rights-of-way, easements, and forest preserves and real estate purchased for street or road construction purposes.

Land shall be capitalized without regard for significance of cost, except for right-of-ways and easements which should only be capitalized if they are not of inconsequential value. The acquisition cost of land should include but not be limited to the purchase price, appraisal and negotiation fees, all closing costs, survey fees, title search fees, filing costs, costs of consents, relocation costs, condemnation costs, costs to clear land for use, and any demolition or removal of

structures. Land acquired by gift or bequest is recorded at the fair market value at the date of acquisition.

The cost of the land shall be reduced by the sale of salvage materials.

(2) STRUCTURES AND IMPROVEMENTS

Structures are defined as physical property which is permanent in nature or immovable and is used for operating purposes and have an initial cost of **at least \$25,000**. The cost of structures includes the cost of improvements, permanently attached fixtures, machinery, and other components that cannot be removed without damage or that function as part of the structure, such as furnaces, air conditioners, elevators, wiring, and lighting fixtures. When buildings are constructed, all identifiable costs are included, such as contract costs, architects' fees, costs of permits and licenses, accident or injury costs, payment of damages, and insurance.

Improvements like structural remodels, renovation, alterations, and repairs to existing structures that increase the value of the property, or lengthen its life, shall be capitalized. The capitalized cost of improvements should be **at least \$25,000**. Improvements may also include any other costs, as determined by the Board of Supervisors.

Improvements with limited lives made to existing parcels of land, such as fences, driveways, parking lots, pavement, landscaping, and sidewalks, should be considered land improvements, and shall be depreciated over their estimated useful lives.

The capitalized cost of land improvements should be **at least \$25,000**. Land improvements may also include any other costs, as determined by the Board of Supervisors.

Donated structures and improvements are capitalized at the fair market value at the date the assets are received.

(3) EQUIPMENT

Equipment includes moveable personal property of a relatively permanent nature and a unit cost of **at least \$5,000** and a useful life of at least one year. Some examples of moveable equipment are computers, vehicles, furniture, fixtures, and telecommunications.

Equipment acquired at a value of at least \$5,000 is capitalized. Cost of equipment should include purchase price; construction costs; freight, shipping and handling charges; sales, use, or other transportation taxes; and installation costs. Warranty contracts purchased in conjunction with an asset should also be included in the cost of the asset.

A unit of equipment is defined for purposes of this policy as an individual item, or group of items, which is usable for its intended function and which cannot be separated without a diminishment in the usability of the item for its intended purpose. A group of smaller items that would not individually meet the

capitalization threshold (for example, office chairs) should not be capitalized. The following are examples of units:

Upgrading personal computers: Enhancements to an existing system will be capitalized if the upgrade meets the \$5,000 threshold. Should the upgrade exceed \$5,000, the existing system will be written off at book value and the new processor added as equipment in the capital asset account group.

Replacement furniture or furniture for department remodels will be considered equipment and capitalized by unit if the cost exceeds \$5,000.

Modular furniture that is not part of a structure will not be capitalized, unless the cost is \$5,000 or greater.

Labor costs, which are included in the purchase price of an item at the point of purchase, are included in the cost of the equipment and shall be capitalized. Labor cost that is necessary for the assembly or installation of the original item, but ordered separately from the equipment, should be included in the cost of the equipment. Incidental labor costs incurred for installing non-moveable equipment to other equipment (e.g., installing a utility bed on a truck, or installation of a light bar on a police vehicle) are not capitalized. The moveable equipment would be capitalized as a separate asset if it has met the capitalization threshold of \$5,000.

Equipment purchases between \$300 and \$5,000 shall be identified as "Inventory Items." These items should be included in the Departmental Fixed Asset Listing. They will not be included in the County Capitalization Listing and will not be depreciated.

Fixed assets that are required to be accounted for by virtue of Federal or State reporting requirements, i.e. grants, and awards with capital asset criteria otherwise in conflict with County policy, shall also be included in the County Capitalization Listing. Other exceptions to the \$5,000 and one year useful life capitalization threshold which shall be included in the Departmental Fixed Asset Listing include such items as weapons; small items vulnerable to theft, misuse, or loss; and any other items as designated by the Auditor-Controller or the Board of Supervisors shall be included in the County Capitalization Listing.

Expenditures which neither materially add to the value of property nor appreciably prolong its life, but merely keep it in an ordinary, efficient operating condition are considered to be maintenance costs and are not capitalized.

(4) INFRASTRUCTURE

Infrastructure assets include public domain general capital assets that are immovable and of value only to the County and have a much greater useful life expectancy than most capital assets. This includes land and structures used for networks and systems and subsystems not classified as land or structures and improvements. Common examples of infrastructure systems and subsystems include roads, bridges, streets, sidewalks, dams, water and sewer systems, drainage, and lighting systems.

Infrastructure with a value of \$25,000 or greater will be capitalized. Infrastructure includes highways, guard rails, tunnels, sidewalks and curbs, culverts, dams and dikes, landscaping, docks and piers, storm piping, gas distribution piping, sea walls, head wall systems, electrical systems, and airport runways. The cost of infrastructure includes all expenditures in connection with their acquisition, such as the value of construction cost, grading of land, fixtures attached to the structure: (i.e., lighting, heating & air equipment) architect, engineering, payment for damages, and permits and licenses.

Reductions should apply to the costs of infrastructure for the sales of salvage from materials charged against construction or for any discounts, rebates, or allowances.

H. CAPITAL LEASES/LEASE PURCHASE ARRANGEMENTS

Capital leases include all arrangements to lease land, buildings and structures, or equipment which the County acquires substantially all of the benefits and risks inherent in the ownership of the asset and which the County intends to assume ownership rights when the lease is paid off. Lease purchases of capital assets are to be accounted for in a manner similar to purchases of capital assets with long-term credit terms. The cost of the asset should be recorded at the time the asset is placed in service and should be equal to the total principal to be paid over the life of the lease, plus any down payments at the beginning of the lease.

I. CONSTRUCTION BY FORCE ACCOUNT

This method of construction or maintenance of capital assets is whereby a government utilizes its own personnel instead of an outside contractor. Construction performed by County staff is recorded in the same manner as if acquired by an outside contractor.

These costs are initially charged to the cost accounts of the department performing the construction. Project costs include direct labor, materials, equipment usage, and overhead. Overhead of the department should be limited to those items that can be distributed on the basis of direct labor. Administrative overhead may be capitalized when clearly related to the construction outside of the cost center.

J. CAPITAL PROJECTS

Capital project expenditures are typically for the acquisition or construction of major facilities (other than those financed by proprietary funds).

A capital project can include the combination of several different assets, such as a purchase of land and construction of a building, complete with furniture and fixtures. When fixtures are included with original construction costs they shall be capitalized as part of the structure. Fixtures that are added after the original construction, regardless of purchase date, will be capitalized based on the individual item or unit value.

A capital asset account reflecting the cost of construction work for projects not yet completed will be used to record construction in progress. These recorded costs shall include any retentions being withheld by the County and to be paid after

completion of the construction projects. Upon completion of a project, all previously recorded costs associated with the project are transferred from the construction in progress account to the appropriate capital asset account, usually Structures and Improvements or Infrastructure.

The Auditor-Controller shall be notified of any construction projects and significant repair projects. Departments shall track costs associated with these projects and provide these totals with supporting documentation to the Auditor-Controller to record the amounts as construction in progress, as appropriate. Departments shall notify the Auditor-Controller upon completion of the projects so that the proper asset can be charged with the total completed costs.

K. INVENTORY OF CAPITAL ASSETS

Each elected and appointed County Department Head in charge of any office/department and the Executive Officer of each special district whose affairs and funds are under the control of the Board of Supervisors shall be held responsible for recording, maintaining, safeguarding, and properly utilizing all capital assets under their respective areas of responsibility in conduct of County business. Department Heads who are provided or use County-owned capital assets may be held pecuniary liable for misuse, damage, or loss from inadequate security and/or shown to be reckless towards procedures as set forth in this Policy. The Auditor-Controller will monitor compliance with appropriate property accounting requirements as delineated in Section 24051 of the California Government Code.

The Office of the Auditor-Controller will maintain the County Capitalized Asset Management System database, establish depreciation life schedules for classes of assets for department use, and monitor compliance of the County's Capital Asset Policy. The Auditor-Controller's Office shall assign all capitalized assets an asset identification number. This number shall be assigned and entered into the County Asset Management System. In addition, departments shall assign an inventory control number to all assets purchased. This identification number shall be in tag form, or similar type of system, and placed on said equipment/asset and be prominently displayed for easy identification. Department Heads shall notify the Auditor-Controller's Office upon the discovery of needed replacement of worn, removed, or defaced asset tags and provide the new number assigned.

The Auditor-Controller shall submit the capitalized fixed asset listing to each department by July 15th of each year to be verified, updated, and signed by the Department Head. The updated and signed departmental listings are due back to the Auditor-Controller by August 15th of each year. The capital asset records and listings shall be maintained by the Auditor-Controller for a period of at least five years and shall be provided to the external auditors for review and be used for financial reporting purposes.

Land will be recorded using the Assessor's parcel numbers. Buildings will be identified or numbered in a consistent manner as prescribed by the Auditor-Controller. The Auditor-Controller will periodically conduct on-site asset inventory audits at his/her discretion or as requested by the Board of Supervisors.

L. ACCOUNTABILITY OF CAPITAL ASSETS

Lost or missing inventory shall be reported to the Auditor-Controller either on the annual capitalized fixed asset listing or on a Property Transfer Form. Any presumed stolen inventory shall be reported to the Sheriff, County Administrative Officer, and the Auditor-Controller immediately upon discovery of such suspected theft.

The County Administrative Officer shall notify the Auditor-Controller of the need to conduct a departmental physical inventory prior to the permanent departure or change in area of responsibility of a Department Head. Department Heads are expected to be cognizant of this requirement. The Auditor-Controller, in cooperation with outgoing and incoming Department Heads, will conduct a physical inventory. The Auditor-Controller's Office will provide asset listings and certification forms for this transfer. Any missing inventory will be immediately reported to the County Administrative Officer and the District Attorney for investigation. Upon approval of the Administrative Officer, final payroll remuneration shall be made directly following review and reconciliation of the departing Department Head's Capital Asset Inventory Affidavit by the Auditor-Controller's Office.

Budgets for fixed asset items should be as follows:

- Fixed assets meeting the capitalization threshold: Fixed asset account group xxx.60-00 through xxx.62-79 – Fixed Assets.
- Construction projects: Fixed asset account group xxx.63-00 through xxx.63-99 - Fixed Assets - Construction in Progress. Note: Depending on type, may be reclassified to Land or Buildings and Improvements upon completion of project.
- Maintenance to fixed assets: Account xxx.17-00 through xxx.18-00 - Maintenance-Equipment or Maintenance-Buildings & Improvements.

Capitalized fixed assets shall be submitted for payment with a Fixed Asset Control Form. If this form is not attached, the claim process will be delayed. Fixed assets falling under the capitalization threshold do not require a Fixed Asset Control Form to be submitted; however, departments must set up a mechanism for documenting their inventory listing add/changes/deletes. This mechanism must be approved by the Auditor-Controller.

All inventory items will be accounted for on a departmental fixed asset inventory list. This listing shall contain, at a minimum, the data maintained on the capitalized fixed asset listing maintained by the Auditor-Controller.

Whenever a capital asset is transferred, retired, sold, or otherwise abandoned, the department which owned the asset must submit a Property Transfer Form to the Auditor-Controller.

M. PURCHASING CAPITAL ASSETS

The Board of Supervisors approves the purchase of capital assets as part of the adoption of the annual County budget or during the budget year by action at a regular or special meeting. Approval of capital assets as part of the normal budget adoption process is the preferred method for obtaining capital assets. Capital asset purchases not previously approved by the Board of Supervisors during the budget adoption process must be approved as a budget transfer.

All purchases of capital assets are to be submitted with a Fixed Asset Control Form to the Auditor-Controller's Office. After verification of available funds, that the purchase is in compliance with County policy, and includes all required forms, the Auditor-Controller's Office will process the payment request through accounts payable.

N. DISPOSITION OF PROPERTY

Department Heads will comply with the following procedures for capital assets that are lost, stolen, surplused, or transferred.

The responsible Department Head shall immediately file a Property Transfer Record with the County Auditor-Controller for capital assets that are lost, stolen, destroyed, or otherwise unaccounted for. If burglary or theft is suspected, the Department Head shall immediately notify the Sheriff and County Administrative Officer.

Capital assets are to be surplused once determination indicates that serviceable use has expired and cost effective repairability is unobtainable. A Property Transfer Record shall be submitted to the Auditor-Controller's Office, which will then notify the County Administrative Officer. The Auditor-Controller's Office shall provide the Administrative Office with a list of surplus inventory upon request. The Administrative Office will submit the list of surplus inventory to the County Board of Supervisors for their approval prior to disposition.

A Property Transfer Record must be submitted to the Administrative Office and the Auditor-Controller's Office, prior to the replacement of capital assets transferred between Departments.

O. DEPRECIATION

Depreciation represents the recognition of the cost of an asset over time, by calculating its estimated loss in value during each accounting period in its useful life. Depreciation expense will be recorded in the County Asset Management System, and reported in the government-wide financial statements.

Land is not depreciated. All other capital assets will be depreciated over their estimated useful lives using the straight-line method of allocation at the beginning of the second year the assets are placed in service. In determining an estimated useful life, consideration should be given to an asset's present condition and how long it is expected to meet service demands. For calculating depreciation, all depreciable property is considered to have no salvage value.

P. FORM DESCRIPTION AND USAGE

The Auditor-Controller's Office will provide a Fixed Asset Control Form or Property Transfer Form for all requested acquisitions, transfers, deletions, or surplus inventory change requests. These forms are available on the County intranet site.

Questions concerning inventory procedures may be directed to the Auditor-Controller's Office at 263-2311. All County Department Heads should be aware of their responsibility for the proper care and reporting of County-owned assets.

EXHIBIT A

COUNTY OF LAKE-CAPITAL ASSET USEFUL LIVES

By Class:

Computer Equipment = 5 years
Miscellaneous Equipment = 15 years
Non Depreciating Equipment = 5 years
Office Equipment = 7 years
Vehicle Equipment = 5 years

Heavy Miscellaneous Equipment = 12 years
Heavy Office Equipment = 10 years
Heavy Vehicle Equipment = 5 years

Buildings & Improvements = 50 years
Buildings & Improvements 10 yrs. = 10 years
Buildings & Improvements 15 yrs. = 15 years
Buildings & Improvements 20 yrs. = 20 years

Heavy Buildings = 30 years
Heavy Improvements = 50 years

Infrastructure-Airport = 20 years
Infrastructure-Bridges = 100 years
Infrastructure-Curbs/Sidewalks = 50 years
Infrastructure-Dams = 40 years
Infrastructure-Irrigation systems = 40 years
Infrastructure-Lights = 50 years
Infrastructure-Parks = 50 years
Infrastructure-Piers/Docks = 40 years
Infrastructure-Roads = 100 years
Infrastructure-Water/Sewer = 50 years

Examples:

Computer Equipment:

	Useful Life
GPS Mapping Equipment	5
Software	5
Network Equipment	5
Servers	5

Misc. Equipment:

Addressing equipment	15
Animal trapping equipment	15
Appliances household, not part of a building	15
Audio-visual equipment	15
Automobiles, light trucks, and motorcycles	15

Boats and motors	15
Buildings, movable	15
Cameras, picture taking equipment	15
Communications equipment, radio equipment, fax	15
Data processing equipment (computer, Software, glareguard)	15
Dictating machines	15
Duplicating machines, memo and spirit (not Xerox type)	15
Election equipment	15
Equipment and trucks (contractor type, forklifts)	15
Farm equipment, special purpose	15
Firefighting equipment	15
Food handling equipment, furniture	15
Garage equipment	15
Household furnishings, exercise equipment, Game room, etc.	15
Janitorial/housekeeping equipment/laundry/ladders	15
Laboratory equipment	15
Landscaping equipment	15
Law enforcement equipment	15
Mail handling equipment	15
Maintenance/installation equipment	15
Medical/surgical equipment	15
Microfilm equipment	15
Park equipment (bench, slide, outdoors furniture)	15
Photo processing equipment	15
Printing equipment	15
Scales, weighing devices	15
Shop equipment, tools	15
Surveying/engineering equipment	15
Time/date stamps, check protectors, Number machines	15
Tools, power/portable/hand	15
Trailers, without permanently mounted equipment	15
Warehouse handling/storage equipment, lockers	15
Office Equipment:	
Accounting machines	7
Adders and calculators	7
Copy machines	7
Office furniture, easels, not machines	7
Office equipment (not listed under any other code)	7
Phone systems	7
Typewriters, electric/manual	7
Workstations	7

Non Depreciating Equipment:

Law enforcement weapons 5

Vehicle Equipment:

Passenger vehicles 5

Trucks 5

Vans 5

Buildings and Improvements:

Basic structure See by class listing

Ventilation and heating systems See by class listing

Air conditioning See by class listing

Electrical and lighting systems See by class listing

Elevators/escalators See by class listing

Plumbing, pipes, and fixtures See by class listing

Sidewalks, parking, and landscaping See by class listing

Fire alarms, sprinkler systems See by class listing

Reservoirs See by class listing

All other improvements See by class listing

Infrastructure:

Airport runways 20

Bridges 100

Curbs/Sidewalks 50

Culverts 20

Dams 40

Drainage systems 50

Irrigation systems 40

Landscaping 40

Piers/Docks 40

Roads – asphalt 100

Sewer systems 50

Water systems 50

Waterways 50

(Adopted by the Board of Supervisors 12/19/00; Update approved by Board of Supervisors 8/21/07)



**Board of Supervisors Policies and Procedures Manual
Section Seven – Financial
Subsection 11 – Cash Handling Policy**

**Office of the Auditor-Controller
Department Policies and Procedures
Chapter 16 – Financial Policies,
Cash Handling**

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Auditor-Controller Policies & Procedures Chapter 16: Financial Policies Section 1: Cash Handling	Established: 2002 (in policy) Revised: 2011, 2018
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I. PURPOSE

This Cash Handling Manual has been developed to provide basic guidance and to standardize operating procedures for all phases of handling cash. The policies and procedures contained in the Manual are applicable to all County Departments, Special Districts, and all other offices (herein-after referred to as “departments”) under the jurisdiction of the Board of Supervisors.

This Procedural Manual is for use as a ready reference by operating personnel in the performance of their day-to-day duties and responsibilities to prescribe uniform accounting procedures for County departments pertaining to all cash collections and funds in accordance with generally accepted accounting principles, laws and regulations.

This Procedural Manual is provided to establish a better understanding of internal controls and present a set of policies, procedures and preferred practices designed to safeguard the receipt and disbursement of cash. It is the responsibility of each County officer and department head to provide for the proper control of cash within the guidelines set forth in this policy.

Previous versions of cash handling policies and procedures have been in various forms of documentation and this document is now official guidance as approved by the County Board of Supervisors. Suggestions for improvement are always welcome, as only with the assistance and cooperation of its users will we be able to keep the Manual up-to-date and keep abreast with the changing needs of the County. Suggestions for revisions should be submitted to the Auditor-Controller’s Office for evaluation and future revisions to the Board of Supervisors Policies and Procedures Manual and the Auditor-Controller Department Policies and Procedures.

This Manual was prepared by the Auditor-Controller’s Office in an effort to provide assistance to County Employees in the performance of their cash handling duties. The Auditor-Controller’s Office will be the interpreter of the policies and procedures contained in the Board of Supervisors Policies and Procedures Manual, Financial Section.

II. POLICY

The use of the term “Cash” or “Funds” shall include currency, coins, checks, money orders, travelers’ checks, and debit and credit card receipts.

It is the responsibility of County departments, agencies and districts to have effective internal controls in place to accurately collect and safeguard cash, properly and timely deposit all cash, monitor cash balances, and record the correct amount of cash collected in the County’s Financial System. Written procedures must be developed to guide staff on proper cash handling. This documentation must include all cash related transactions and document the internal controls in place that mitigate the risk of error and safeguard cash.

All cash collected or received by County departments, agencies, or districts, shall be deposited, whenever practical, in the County Treasury or authorized outside bank account, no later than one working day following the date received, except for Trust Fund monies, which according to law, should be deposited

on the date received. If it is not practical to deposit cash by the next working day following the date received, then deposits should be made at least weekly or whenever \$500 in currency or coin is accumulated, whichever comes first. Special circumstances, such as remote locations, may warrant a larger accumulation of monies before a deposit is practical; however, employee safety and guarding of the assets should be given first consideration in any of these decisions. In instances where it is not practical to deposit currency or coin within the one day time frame required, a policy exception should be requested and approved by the Auditor-Controller.

Reconciliations of cash transactions in authorized outside bank accounts must be performed at least monthly.

All individuals involved in cash handling are required to be adequately trained.

III. INTERNAL CONTROLS

A. General Principles

1. Employee personal funds shall not be commingled with County Funds.
2. Endorsement of checks
All negotiable instruments, such as checks, warrants and money orders should be endorsed with a restrictive endorsement stamp immediately upon receipt.
3. Segregation of Duties
Responsibility for a divisible transaction or a series of related transaction should be divided between individuals so that the work of one acts as a check on that of another. Deposits shall be made by an employee other than the cashier or the person issuing receipts.
4. Bank accounts shall be reconciled at least monthly by someone other than the cashier or the person who makes the deposits. Copies of the completed reconciliation must be submitted to the Auditor-Controller's office monthly.
5. Personnel should be rotated.
Whenever possible, employees should be rotated in their job assignments. This has a number of advantages as an employee is less apt to be careless or to intentionally commit a wrong when he knows his/her action will likely be brought to light when job assignments are changed.
6. Employees
An internal control system will not function properly unless the employees cooperate and perform their task competently and in the prescribed manner. When employees do not understand the need for certain procedures or feel the procedures cause them unnecessary work, they will often avoid the procedure. This will destroy the effectiveness of the entire system. Employees must be given a full explanation as to why they are doing certain procedures.
7. Management should consequently review the control system.
No matter how well an internal control system functions, it **cannot function properly without periodic review**. An audit may disclose that set procedures are not being followed or if change is needed in the procedures.

B. Responsibilities

It is the responsibility of the County department, agency and district management to:

1. Implement effective procedures and internal controls to accurately collect and safeguard cash, properly and timely deposit all cash, monitor cash balances, and record the correct amount of cash collected in the County's Financial System
2. Maintain written documentation of cash handling procedures
3. Submit documentation of cash handling procedures to the Auditor-Controller on an annual basis

4. Ensure all outside bank accounts are reconciled at least monthly
5. Submit June 30 bank reconciliations and supporting bank statements to the Auditor-Controller by August 1
6. Ensure all individuals involved in cash handling are adequately trained

It is the responsibility of the Auditor-Controller's office to:

1. Review written cash handling procedures submitted by County departments, agencies and districts for compliance with the County's cash handling policy
2. Maintain a record of all outside bank accounts along with the justification for each outside account
3. Review June 30 bank reconciliations for all outside bank accounts and prepare any necessary year end journal entries.
4. Review and approve requests for exceptions from the one-day deposit policy and maintain a log of approved requests

IV. GUIDELINES FOR COUNTY DEPARTMENTS, AGENCIES AND DISTRICTS

It is the responsibility of County departments, agencies and districts to have effective controls in place to accurately collect and safeguard cash, properly and timely deposit all cash, monitor cash balances, and record the correct amount of cash collected in the County's Financial System. These guidelines provide a framework for cash handling, including suggested procedures and major control points, and may not apply to all County departments, agencies and districts. County departments, agencies and districts must implement appropriate cash handling procedures based on their individual operations and requirements to ensure that proper internal controls are established to safeguard cash.

A. Documentation of cash handling procedures should include the following, as applicable:

1. Description of the sources of cash received
2. Description of all outside bank accounts
3. Cash receipts processes describing the methods of receiving customer payments and how customer deposits are processed:
4. Cash, checks, debit and credit card payments (when applicable), wire transfers, Payments by mail, online and ACH payments through third party electronic billing system, or Automatic Bill Pay, etc.,
5. Reconciliation of deposits
6. Reconciliation of outside bank accounts
7. Procedures for researching unidentified payments received and checks returned from bank
8. Accounting procedures for recording collections and deposits
9. Analytical review – completed by staff not handling cash to monitor daily cash balances and trends or variances
10. Segregation of duties
11. Security and fraud controls
12. Emergency preparedness
13. Inventory control over receipt books
14. List of names and titles of all individuals involved in the cash handling process

B. Staff training should be provided to all individuals involved in the cash handling process for the following:

1. Recording cash receipts

2. Depositing cash
3. Reconciling cash
4. Access to safes, vaults, etc.
5. Preparing accounting entries for financial system
6. Managing any revolving funds

C. Safeguarding Cash

The department head or official in charge shall ensure that all cash received is adequately safeguarded until deposited with the County Treasurer or authorized external bank.

1. Employees with cash handling responsibilities must be adequately trained
2. Ensure employees understand segregation of duties
3. Implement a detailed annual training program of cash handling procedures
4. Ensure back-up staff has the ability to perform cash-handling responsibilities
5. Keep a record of all training provided
6. Train staff involved in collections to increase awareness and proper handling of contaminated, destroyed, and counterfeit money
7. Consider the purchase of a money counter with counterfeit bill detection if large volume or sums of currency are collected
8. Large amounts of currency shall not be allowed to accumulate prior to depositing to the County Treasury. Maximum limit set by this policy is \$500. It shall be determined by the Auditor-Controller and the Department Head what amount of cash may deviate from this policy limit.
9. All cash held overnight shall be secured in a safe or securely locked location not accessible to unauthorized staff.
10. Safe combinations shall be restricted to as few employees as possible, preferably memorized. Where a written safe combination has to be maintained, it must be kept in a secure place.
11. The department head shall ensure that combinations to safes are changed when an employee who has knowledge of the combination terminates County employment or is transferred.
12. During business hours, cash must be kept in a cash drawer or cash box not accessible to unauthorized persons. Cash drawers or cash boxes must be closed when not in use. Individual employees shall be responsible for cash drawers assigned to them.
13. It is mandatory that any office where cash is stored be locked during nonworking hours and office door keys be restricted to as few responsible employees as possible.
14. It is recommended that departments handling large daily volumes of cash transactions establish internal guidelines for making periodic audits throughout the day.
15. It is recommended that a record of office keys issued be maintained and the department head should ensure that office keys are returned by terminated or transferred employees.

Employees shall exercise extreme care when handling cash. The following precautions shall be observed to guard against cash losses:

1. Keep the cash drawer neat and orderly and in balance at all times.
2. Arrange currency according to denominations in separate compartments.
3. Do not keep excess cash in the cash drawer.
4. When making change, first count out the coins to the nearest dollar, then count the bills.
5. Count the cash twice before paying out; once when removing it from the cash drawer, and again as it is given to the customer.
6. Never count currency directly into the cash drawer. Always place it on the counter, away from the customer's reach and count. Do not put their money away until the exact change is verified.

7. Then, place the customer's payment in the proper compartments of the cash drawer. Keeping the money in sight until the transaction is completed will avoid controversies that might arise as to the amount given by the customer. Always incorporate counterfeit currency verification.
8. Always close the cash drawer after the completion of each transaction.
9. Concentrate on each transaction. Do not permit any distraction while handling money. If the transaction is interrupted for any reason, it should be started over.
10. Always keep the cash drawer locked when left unattended.
11. There should never be any cash or checks awaiting a written receipt. All county funds should be completely reconcilable at any time.
12. Undeposited cash on hand should always balance with the receipts issued.
13. No employee is permitted to commingle his or her own or any other person's private monies with County funds. There should never be any borrowing or trading of any cash on hand except for the purpose of making currency or coin change. It is forbidden to allow any employee to replace cash on hand with a personal check, even for short periods of time.
14. County funds shall not be used to cash payroll checks or other personal checks.
15. Employees are prohibited from borrowing money or issue personal IOU's in exchange for County funds of any kind. Employee personal funds shall not be used to reimburse shortages in cash funds.

D. Safeguarding Check Acceptance

Checks payable to the County shall be for the exact amount due, with no cash change given to the payer. County funds shall not be used to cash payroll or other employee personal checks.

Accepting personal checks for payments is discretionary with each department head. Departments may accept payments for County services in the form of personal checks, cashier checks and money orders for the exact amount. In some cases the County may be subject to financial loss if a bank refuses to honor payment of a customer's check. This will usually only occur when the customer has already received the full benefit of the County service. It is the responsibility of the department head to be aware of services his/her department is providing where this type of loss may occur.

Incorporate the following safeguards when accepting checks:

1. Accept checks only for the exact amount of the payment.
2. The check should be made payable to the County department receiving the revenue or to the County of Lake.
3. Verify that the legal line of the check is written for the proper amount.
4. Require sufficient, current identification. Compare both photo and signature.
5. Do not accept non pre-printed checks or third party checks.
6. Do not accept a check dated more than six months prior to the current date or checks dated later than the current date.
7. Have personal checks made out in your presence
8. Do not accept a check if the bank routing numbers are not MICR printed at the bottom of the check.
9. Immediately endorse all checks with the department restrictive endorsement stamp.

E. Receipting

The receipting system which will be most effective and economical for the needs of the department should be selected, but may not be implemented, nor subsequently revised or changed, without prior approval of the Auditor-Controller.

When it is more efficient for a department to implement an alternative receipting system, they shall

present the Auditor-Controller with complete documentation of the suggested system, including examples of the receipts or "Special Report" that will be presented in place of the Official County Receipt. The alternative receipting system shall be approved by the Auditor-Controller prior to implementation, since the Auditor must determine that the receipt form is adequate for the support of deposits, audit purposes, and receipt control.

Receipting systems approved to date are as follows:

Official County Receipt Books

The Official County Receipt Book is the most commonly used system. The receipts are pre-numbered in sets of four, and in pads of 50 sets. All receipts must be issued in sequential order and be used by departments to deposit into the County Treasury in the same manner. The exceptions to this policy would be departments that entrust individual receipt books to divisions of their department, in which case receipts from those divisions must also be issued in sequential order within that book and deposited in the same manner. Official County Receipts are to be used for the collection of funds to be deposited into County Treasury. No Official County Receipt Book shall be used for the transacting of business by a Department for any Special Fund transactions. Special Fund transactions should be receipted with department purchased receipts that have been previously approved by the Auditor-Controller. The Special Fund money can then be receipted on an Official County Receipt at the time they are prepared for deposit into County Treasury as a lump sum, with a report or list of the internal receipts that were written at the time the money was received.

All receipts are to be filled in completely. They must be dated and signed, and must have the cash composition area completed (i.e., cash, check, money order, etc.). If payment is made by check, the check number should be entered in the "check" field. Numerical amounts should carry the complete extension including cents even if zero.

The Auditor-Controller's Office shall maintain a record of all pre-numbered receipts issued to each department. Each department must establish an internal policy of reconciling, locking, and assuring the safekeeping of County receipt books in the department's possession and until such time as the receipts are presented and deposited with the County Treasurer.

The department concerned shall maintain a receipt control record indicating the receipt number received, date issued or used and to whom issued. Only one person shall be assigned the responsibility of issuance and control of blank receipt forms. Unused receipts on hand shall be stored in a secure place. These policies will be reviewed by the cash auditor at the time of our audits.

Computer Generated Receipting Systems

Computer generated receipts must be numbered by the computer and generated in numeric sequence. All numbers in the sequence must be accounted for and strict internal control systems must be in place to prevent alteration of a receipt after issuance.

Voiding a Receipt

If it becomes necessary to void a receipt being written in an Official County Receipt Book, it shall be done by printing the word "VOID" in large letters on the receipt, signed by the person voiding the receipt and countersigned by another employee. If another employee is not available, the voided receipt should be countersigned by the individual to whom the receipt was issued. If a voided receipt does not have the proper signatures, it will be questioned by the Auditor's Office at the time it is presented for deposit or during receipt audits, whichever comes first. The immediate supervisor should also review all voided receipts.

The Auditor's copy (yellow) of a voided receipt, with the original (white) attached, is to be turned in with all other receipts for deposit. The department copy (pink) is to remain with the department's copy of the deposit. If the original (white) receipt is not available to be included with the voided receipt, the department must prepare a memo addressed to the Auditor-Controller explaining the circumstances in which the receipt is unavailable. This memo should be signed by the person voiding the receipt, and countersigned by the department head. This procedure is likewise applicable to Special Receipts used by departments.

If it becomes necessary to void a receipt when a non-County issued receipt is used, the audit tape should be annotated with the word "VOID" next to the corresponding entry and the copy of the receipt attached to the cashier's reconciliation of the day's business and countersigned by another employee.

The amount on a written receipt should never be changed after it is completed. Other changes, such as account string are acceptable. If the amount on the originally written receipt needs to be changed, the original receipt must be voided following the requirements for a voided receipt, with two signatures, and a new receipt written noting that it is a replacement and referencing the voided receipt number.

F. Mail Collections

Receiving, opening and distributing incoming mail are functions that should be handled by or be under the supervision of a responsible employee other than the employee performing the functions of cashier or bookkeeper. If possible, mail should be opened in the presence of another person. The person in charge should make a list of cash received, indicating the name of the remitter, the amount received and any other pertinent information. When a department receives cash in the mail, a receipt should immediately be prepared. The original copy of the receipt should be retained in the receipt book unless a receipt is requested or the Auditor-Controller directs that a receipt should be mailed.

General criteria

1. The person who opens the mail should not also prepare the deposit.
2. The employee who receipts payment by mail should not reconcile the cash receipts.
3. On high volume remittance days, the person opening the mail should prepare an adding machine tape listing the amount paid and other identifying information such as file or check number. It should also be signed by the preparer.
4. The adding machine tape and remittances are to be passed on to another employee for reconciliation and preparation of the individual receipts.
5. The original white copy of the receipt shall be retained in the receipt book unless the payer requests a receipt, for example a payer requests a receipt for a check that was delivered by mail.
6. If a department receives a check for another department, the receiving department shall make an attempt to contact the proper department and deliver the check to them in an appropriate manner. In the event that the correct department cannot be contacted or is unknown, the check should be forwarded to the Auditor-Controller's office for research and processing.

V. DEPOSITING TO THE COUNTY TREASURY

All funds must be deposited in the County finance system using the *County Authorization for Deposit* form found on the County intranet. Any deviations to this form must be approved by the Auditor-Controller. All cash must be deposited on a regular weekly or monthly basis; however if the revenue volume is in excess of \$500 and there has been no allowance exception granted by the Auditor-Controller, daily depositing is required. In no instance should any checks remain undeposited longer than a month from the date of receipt.

All monies received must be deposited intact into the County. Depositing intact means that the deposit must consist of the same checks and/or money orders and the same currency and coins as indicated on the receipts for the deposit.

Deposits to the County Treasurer shall be transmitted either by mail (only if deposit does not include currency) or delivered by a responsible employee.

Departments that maintain bank accounts shall make periodic transfer of deposits by drawing a check against the bank account, payable to the County Treasurer for the amount of collections for the period covered by the deposit. Departments that write a check at the end of the month to deposit with the Treasurer must reconcile that account on a monthly basis and submit a copy of that reconciliation to the Auditor-Controller monthly.

For those departments in which receipts are transported from alternative locations (satellite offices) to headquarters for deposit, accountability over collections must be maintained through the use of a transmittal log or slip. The courier should sign the log at the time receipts are picked up and signed by the employee to whom they are delivered. Headquarters should forward a copy of the log or slip to the branch to verify that the receipts were properly received. Satellite offices should follow up if a copy of the transmittal log or slip is not returned to them in a timely manner acknowledging that collections were received.

A. Returned Checks

There are a number of reasons a check may be returned unpaid from a bank. The most common of these is due to insufficient funds on deposit by the maker of the check. Unnegotiable checks shall be referred to as NSF's.

When a NSF item is received from the bank the customer may have already received the benefit of the services or goods purchased from the County.

B. Processing of NSF Check

When a NSF check is received by the County Treasury, they will notify the department that deposited the check. They will give the department two options, (1) the Treasurer can redeposit the check if it has come back once as a NSF (2) the department can "buy back" the check by doing a negative deposit reflecting the account the check was originally deposited to.

If the department buys back the check, the Treasury will return the check and the department is responsible to see that the returned item is "made good" by the payer. The department will need to contact the customer notifying them of the NSF. A thirty dollar (\$30.00) processing fee shall be collected when appropriate.

If it is probable that the NSF item is not collectible, the department head should clearly annotate all records.

Importantly, every NSF item should be promptly and aggressively resolved. This may include forwarding to the District Attorney's Office for further action.

VI. SEGREGATION, SECURITY CONTROLS. AND FRAUD

Enforce dual custody and segregation of duties for handling and managing cash by implementing the following procedures:

1. Provide safe combinations only to employees who require access and change safe combinations periodically (such as when there is employee turnover of staff with safe combination)
2. Whenever possible, at least two staff should be present to open a safe
3. Supervisors should observe and verify each cashier's cash count for end-of-day balancing
4. Deposits prepared for armored courier pickup must have cash counts verified by two employees
5. Armored courier shipments must be verified by two employees
6. Cash counts and acceptances must be signed for by the individuals present to verify cash balances are accurate
7. Independent review of deposit reconciliations.
8. Prohibit employees responsible for collecting cash from also preparing bank deposits
9. Establish policies to cover the absence of key employees
10. Rotation of duties
11. Analyze the security requirements for each cash collection point and implement security controls as appropriate:
 - a. Install security cameras to monitor areas where cash is collected and handled, provide security guards, and secure the safe, cash registers, and drawers
 - b. Restrict Cashier areas to Cashier personnel and authorized persons
 - c. Lock Cashier access doors at all times
 - d. Active cash drawers should be secured in a locked drawer at the cashier's window during business hours including lunches and breaks
 - e. Cash drawer keys should remain in the sole custody of the cashier, and never be given to anyone or left in the drawer when the cashier is away from the window
 - f. Cashier and safe keys are kept in a secure location during non-business hours
 - g. Unused cash drawers must remain in the vault/secure storage during the day
12. When performing cash counts and reconciling of cash draws, avoid counting cash in public view, cover windows or move to a non-public location
13. When practical require cashiers to close stations and take excess cash to a more secure location whenever cash accumulates above a specified threshold
14. Establish procedures for safely transporting cash around the County.
 - a. Ensure that another employee or security officer accompanies an employee transporting large amounts of cash
15. Implement controls needed to minimize risk to staff's safety and protect cash
 - a. Cash should be transported in concealed bags or locked containers
 - b. Emergency plan and procedures should be in place
16. Implement procedures to report and investigate suspected fraud or misappropriations
 - a. Contact the County Auditor-Controller at auditor@lakecountycalifornia.gov or (707) 263-2311 for assistance whenever fraud is suspected.

VII. OUTSIDE BANK ACCOUNTS

Where departments are not conveniently located to make frequent deposits of cash collections with the County Treasurer and as authorized by the County Auditor-Controller, cash collections may be deposited in a commercial bank, as provided for in the California Government Code Section 27080.1. This requires dual approval of the Auditor-Controller and the Treasurer.

A. Establishment of a Bank Account

Department heads may request assistance from the Auditor-Controller to open a bank account when necessary to establish an effective control over cash and promote efficient operation of the Department. The department head must, however, request authorization from the Board of Supervisors to establish the bank account.

The request must specify the reason for opening a bank account, the custodian of the fund, the name and location of the bank depository and the period of time the account is authorized.

Where authorization has been granted, assistance must be secured from the County Treasurer to ensure that all requirements are complied with and that all bank services available are taken advantage of. For control purposes, the Auditor-Controller and the County Treasurer shall be advised of bank accounts that may be legally opened.

B. Account Titles

Bank accounts shall be opened in the name of the County department or office. Under no circumstance shall a bank account be opened in the name of an individual.

C. Checks

Prenumbered checks for all bank accounts must be printed, bearing the official bank account title and the words "Void six months from date of issue".

D. Bank Deposits

When bank accounts are used, all monies collected shall be deposited with the bank not later than the next business day. Preferably, deposits should be made during regular banking hours. Large sums of money shall not be held overnight in the office, especially over weekends. Where possible, arrangements should be made with the bank to have deposits picked up by the bank messenger service. When large sums of money are collected during a particular business day and bank service is not available, night facilities should be used. In this event, the teller-stamped copy of the bank deposit slip should be obtained from the bank on the next business day. In the interim, an extra copy of the deposit slip should be prepared and held pending receipt of the validated teller-stamped deposit slip.

It is essential that deposits to the bank accounts be made intact. Depositing intact means that the deposits to the bank account must consist of the same checks and/or money orders and the same amount of currency as indicated in the receipts which the deposits cover.

This is an integral feature in the internal cash control system. The amount of each deposit shall be the same as the total amount of the receipts issued during the period covered by the deposit.

Bank deposit slips must show the amount of paper currency, coins, and list each check and money order in the space provided. In some cases, microfilm copies of checks and money orders have been approved. Prepare deposit slips in triplicate and distribute the copies as follows:

1. Original – Bank copy.
2. Duplicate – Validated by the bank to serve as the official record of the deposit to be kept by employee in charge of bank account records.
3. Triplicate – Retained in the office until the validated duplicate copy has been returned by the person making the deposit. This copy will assist in establishing accountability in the event a deposit is lost or stolen in route to the bank.

E. Endorsement Stamps

Restricted endorsement stamps must be used on all checks and money orders deposited with the bank. The endorsement stamp shall read as follows:

Pay To The Order Of (Name of Bank) For Deposit Only (Title of Account) (Number of Account)

F. Check Record

A record shall be maintained on the checkbook stub of all checks drawn against the bank accounts indicating the following:

Check Number	Receipt Number and/or Case Number
Date Issued	Amount
Payee	Deposits
Purpose	Balance
For Bail Account or Trust Account: Show Original	

G. Commercial Bank Account Use

1. Bank accounts shall be used only for official County business.
2. For proper separation of duties, the person having physical custody and control of the fund should not also be authorized to sign checks.
3. Checking accounts that transfer money from the department into the County Treasury (ZBA's – Zero Balance Accounts), should have checks preprinted with the "Lake County Treasurer" as payee. These checks should be ordered and stored by the department. However, the check stock must be logged in and verified at the Auditor- Controller's Office before being used.
4. For checking accounts that are NOT transfer accounts, the department shall monitor and order checks when appropriate. An adequate supply shall be determined and held by the department in a secure location.
5. The depository account custodian shall maintain a record of all deposits and disbursements so as to provide the following information:
 - i. Date of deposit or disbursement
 - ii. Amount of deposit or disbursement
 - iii. Payee and purpose of each disbursement
 - iv. Source of each deposit amount
 - v. Account balances
6. Bank Accounts shall be reconciled monthly or quarterly, depending on the frequency of the bank statements, to the department's book balance and to the general ledger. The reconciliation should be reviewed and initialed by an employee who is not involved in the cash receipting cycle and shall be furnished to the Auditor-Controller no later than 30 days after the bank statement date. The Auditor-Controller may designate the form and content of the reconciliation. The bank statements, deposit slips and cancelled checks shall be maintained per applicable statutes.
7. It shall be the responsibility of the department to ensure that bank signature cards are kept current with the Auditor-Controller and Treasurer.
8. All cash, checks and negotiable instruments should be stored in a locked or secured depository with access restricted to authorized personnel only.
9. All monies received shall be deposited into the bank account at least weekly and preferably daily, if the revenue volume warrants. Large amounts of cash shall NOT be allowed to accumulate over weekends.

10. All bank charges should be charged as an expenditure to the department's operating budget. Bank charges should only be for checks. Pursuant to GC 53640, banks are not allowed to charge local agencies for checking account services.

H. Bank Reconciliation

The Auditor-Controller's office recommends that departments keep track of bank account disbursement and receipt activity and reconciliations by using Quicken, Excel or other acceptable software. The bank accounts must be reconciled to the monthly bank statement. A copy of each month's bank reconciliation should be sent to the Auditor-Controller for audit purposes.

I. Bank Charges

Arrangements may be made with the depositing bank to ensure that charges for check supplies are not charged directly to the bank account. The charges can be billed by the bank and paid by a "Claim" with the bank invoice attached, submitted to the Auditor-Controller for payment. The bank may charge the account directly for returned checks.

J. Bank Account Records

A separate file folder must be maintained for all records pertaining to each bank account. Departments maintaining bank accounts for special purposes shall keep and maintain a complete record of disbursements from the accounts.

VIII. MONTHLY CASH STATEMENT WITH AFFIDAVIT

All department heads are required by Government Code Section 24353 to submit a "Statement of Cash Collections and Deposits" on a monthly basis (See Chapter 13 for form). This report must be forwarded to the Auditor-controller by the 10th day of the following month. The report may either be produced via the County Financial System or manually. The report must include an accounting of activity for the preceding calendar month and all monies collected by them or under their control. Departments with Petty Cash and/or Change Fund money must also provide a report including the following items as applicable:

1. Cash on hand at the beginning of the month
2. Receipts for the month with receipt numbers noted.
3. Subtotal of Cash Accountable by the department for the month.
4. Deposits to the County Treasury including Treasurer Receipt Numbers.
5. Balance representing cash on hand at the end of the month

IX. DONATIONS

Departments have the authority, pursuant to Government Code 25355, to accept on behalf of the Board of Supervisors gifts, bequests and devises of money or property with a value not to exceed ten thousand dollars (\$10,000) per gift.

The Board policy on donations is detailed in Section 10, subsection 40 of the Board of Supervisors Policies and Procedures Manual, as revised by Board action on December 19, 2017

A. Monetary Donations

1. Monetary donations include currency, checks, money orders, etc.
2. A receipt will be written for every donation and the receipt will clearly note that it is a donation. If you collect small sums of money for donations, a daily receipt can be written to include all donations for that day. All donations will be deposited into the appropriate donations revenue account code.
3. Departments shall maintain internal records of all gifts, money and property.
4. Donations over ten thousand dollars (\$10,000) must be submitted to the Board of Supervisors.

5. Property Donations

Please refer to the County Capital Asset Policy

X. CHANGE AND PETTY CASH FUNDS

The Board of Supervisors may authorize the establishment of a Change or Petty Cash fund for use by any County Official as defined:

Change Fund: A cash fund with an imprest balance issued specifically to address the day to day need to provide change while conducting official county business. (Gov. Code §29325).

Petty Cash Fund: A cash fund with an imprest balance issued specifically to address minor day to day operating expenditures deemed necessary to expedite official county business (GC§29326). The County Official for whom the fund was established is the designated custodian of the fund, and is personally liable for any losses that may occur unless a discharge of accountability is requested of and issued by the Auditor-Controller. The responsible County Official shall make a request for discharge of accountability within thirty days of the discovery unless an investigation into the matter by the District Attorney is ongoing.

A. Fund Implementation

The requesting County Official shall furnish a letter to the Auditor-Controller that details the purpose of the fund, the justification of the fund, the location where the fund will be secured, and in cases of consolidation or changes to an existing fund, a reference to any prior Board resolutions.

The Auditor-Controller shall review the request and any supporting documentation and determine if establishment of such a fund is necessary based on business need.

- a) If it is determined to be unnecessary, the Auditor-Controller shall return the letter to the requesting officer with an explanation of the reason(s) for disapproval.
- b) If it is determined to be necessary, the Auditor-Controller shall assist the department with preparing a resolution for submittal to the Clerk of the Board for inclusion in the next available agenda of the Board of Supervisors.

Change Funds and Petty Cash Funds shall be established by a Board adopted resolution which sets forth:

- The necessity of the fund.
- The fund amount.
- The location of the fund.
- Identification of the County Official and department responsible for the fund.
- Any prior Board resolutions superseded by the request.

Upon adoption of the implementing resolution, the Auditor-Controller shall issue a County warrant for the approved amount to the County Official named in the resolution.

B. Fund Responsibility

All cash funds shall be subject to the requirements set forth in the County policies and procedures contained herein. Departmental accounting procedures for cash funds shall be of a form and content established by the responsible County Official unless otherwise designated in writing by the Auditor-Controller.

The County Official responsible for the fund as indicated in the Board Resolution is considered the official custodian of said monies, and is responsible for adherence to these policies and procedures by subordinate staff.

The County Official shall be responsible for the following:

- Assure that the fund is maintained in a secure location at all times.
- Assure that access to the fund is restricted to authorized personnel.
- Assure proper utilization of the fund is adhered to at all times.
- Assure that duties relating to the fund are adequately segregated.
- Assure that the total of cash and receipts are equal to the fund balance at all times.
- Establish a written procedure for fund transactions and appropriate internal controls to safeguard said funds and provide such procedures to relevant staff.
- Test internal controls developed by County Official on a periodic basis no less than annually.
- Prepare a resolution to establish or modify a Change or Petty Cash fund, and submit it to the Clerk of the Board for inclusion in the next available agenda of the Board of Supervisors.
- Furnish an accounting of the fund balance and procedures upon demand to the Auditor-Controller.

The Auditor-Controller shall be responsible for the following:

- Review official requests and supporting documentation and determine if the establishment or modification of a Change or Petty Cash fund is justified.
- Provide written response to the requesting County Official when recommending or denying the establishment or modification of a Change or Petty Cash fund.
- Upon adoption of the implementing resolution, issue a County warrant for the approved amount to the County Official named in the resolution.
- Maintain a current control log of all active Change or Petty Cash funds.
- Audit all cash funds annually, report their findings and recommendations in writing to the County Official responsible for the cash fund, and prepare any journals to maintain an accurate year-end balance for all imprest cash.
- Make determinations regarding requests for discharge of accountability.
- Review receipts and invoices for all expenditures made from the Petty Cash fund to verify appropriateness at the time a claim is submitted to reimburse said Petty Cash fund.

The Board of Supervisors shall be responsible for the following:

- Review and adopt by Board Resolution the County Change and Petty Cash Fund Policy.
- Authorize by Board Resolution the establishment of Change and Petty Cash funds.

C. Internal Control

The official custodian of the cash fund may delegate the custodial responsibility to a designated employee. The official or designated custodian shall adhere to the following when transacting business through the cash fund:

- a) Only the department or special district to whom the funds have been assigned and their authorized employee(s) may have access to the cash fund.
- b) No other monies shall be co-mingled with the cash fund.
- c) No personal checks shall be cashed or held in lieu from the cash fund.
- d) No loans or advances are to be made from the cash fund for any reason.
- e) Under no circumstances shall petty cash funds be used to circumvent the established claims disbursement process.
- f) The Department Head, Special District Manager or their designee should conduct a periodic and unannounced audit of the change or petty cash fund no less than annually. An audit includes a cash count, a tabulation of checks, vouchers or receipts, and a reconciliation of these items to the fund balance established in the Board Resolution.
- g) Segregation of duties should be established so that no one person controls fund transactions from beginning to end.
- h) Identification should be requested each time an unauthorized person (including audit staff) asks to review the fund, and an authorized person should accompany them during the review.
- i) Should a material discrepancy in the change fund balance occur, written notification should be forwarded to the Auditor-Controller immediately.

Change Fund

- a) Cash should be kept in a secure location at all times.
- b) Only authorized personnel should have access to the change fund.
- c) Cash should be counted and verified against the charge upon collection, and a numerical receipt completed and issued to the payee.
- d) The fund activity should be reconciled to the fund balance in writing prior to submitting deposits for processing.
- e) Should be audited for proper cash handling procedures and internal controls periodically, no less than annually.
- f) Deposit should be made daily or weekly depending on the volume of activity and as directed by the responsible County Official.
- g) A record of deposits should be maintained at all times and should include the deposit amount, date and reference number (if applicable).
- h) Any discrepancies in the fund balance should be receipted and approved by a supervisor.
- i) The Auditor-Controller shall be notified in writing of discrepancies in excess of \$25.00.

Petty Cash Fund

- a) Disburse petty cash only for authorized transactions necessary to conduct official county business.
- b) Prepare a petty cash voucher form for each disbursement of cash.
- c) Attach original supporting documents for purchases to each petty cash voucher form.
- d) Should be audited for proper cash handling procedures and internal controls periodically, no less than annually.
- e) File petty cash voucher forms in numerical sequence pending submission to the Auditor-Controller for reimbursement.

- f) Requests for reimbursement shall be made on a County requisition form with petty cash voucher forms in numerical sequence and all original supporting documents attached.
- g) In the case of expenditures from **confidential funds**, the department head may substitute a signed statement indicating that the expenditures were appropriate for the purpose of the fund.
- h) The amount submitted to the Auditor-Controller for reimbursement and the date of submission shall be recorded in the departments control ledger.
- i) The Auditor-Controller shall be notified in writing of discrepancies in excess of \$50.

D. Closing a Petty Cash or Change Fund

If a department no longer needs their change or petty cash fund they can close it by depositing the funds into the department's miscellaneous revenue account with a description that they are closing their fund and the original resolution number. For example, closing change fund # 97-158. The department will need to provide a copy of the deposit to the accountant in charge of doing the annual audits so that the master file can be updated.

XI. CASH OVERAGES

Any employee performing the function of cashier experiencing a cash overage must submit a written report to the department head at the close of each business day. The report must include the exact amount of any cash overage in the account for the day. (Government Code § 29373)

A. Procedures

1. All cash overages, regardless of amount, should be deposited separately with the County Treasury at the same time as all other cash receipts collected by the department. The deposit shall be identified as being a cash overage and deposited into the Miscellaneous Other revenue account 7990.
2. If the source of the cash over is known and the amount is greater than five dollars (\$5.00) the department shall issue a refund. These refunds are payable by County warrant. The claim shall reference the deposit permit covering the overage.
3. A cash overage of twenty five (\$25.00) or more shall be reported to the Auditor-Controller. The report should include the facts and circumstances and should be forwarded no later than the close of the business day on which the cash overage was discovered.

XII. CASH SHORTAGES

Government Code §29390 regarding cash shortages:

“The Board of Supervisors may, by a resolution incorporating such limitations and safeguards as may be deemed in the best interest of the County, provide that County Officers and employees who are responsible for receiving and paying out money may be relieved of shortages in their account, where there is no proof of fraud or gross negligence in connection with the shortage and where the loss is not covered by insurance.....”

Additionally, Government Code §25257 through 25259.5 and Board of Supervisors Resolution No. 82-25, allows for the systematic discharge of accountability as authorized by the Auditor-Controller.

The procedures to follow in the case of a cash shortage will depend on the nature of the shortage as outlined below.

A. Routine Errors in Cash Handling

1. Errors may occur when making change and other cash transactions that result in a cash shortage. Any employee that has an unresolved cash shortage must report the exact amount of the cash deficit to his/her department head or supervisor at the close of each business day.
2. The department head or supervisor should make a thorough attempt to determine the reason for the shortage. The review may include recounting the cash, reviewing all transactions for the period and checking the amounts of all checks and money to ensure that the receipts were written for the correct amounts.
3. The department head must submit a memo to the Auditor-Controller requesting a discharge of accountability pursuant to Government Code §29390. The request must be complete with details of the occurrence and an explanation of corrective measures. If the request is granted, the Auditor-Controller will send a memo to the department. Once the department receives the memorandum they will need to submit an emergency request with a copy of the memo to replenish the shortage amount.
4. If the shortage amount is more than two hundred dollars (\$200) the department head will need to request the discharge of accountability from the Board of Supervisors.

B. Shortages When Negligence or Fraud is Suspected

1. Any person suspecting theft or negligence shall report such irregularities to the department head.
2. The department head shall contact the Auditor-Controller and discuss the circumstances of the suspected theft or negligence. The Auditor-Controller may request the assistance of the District Attorney if appropriate.
3. The Auditor-Controller shall establish the amount of the loss and the circumstances surrounding the shortage. The Auditor-Controller shall issue a report with recommendations based on the findings in the case. A copy of the report shall be sent to the Board of Supervisors and/or the District Attorney.
4. The department head may request a discharge of accountability.

C. Discharge of Accountability

1. When a shortage of cash cannot be resolved, no matter the amount, the department head may request a discharge of accountability pursuant to Government Code Sections 25257-25259.5 and Board Resolution 82-25 dated January 26, 1982, if there is no proof that the shortage was the result of fraud or negligence.
2. The department head must submit a memo to the Auditor-Controller providing as much information as possible such as date, amount of shortage, location, and any known reason for the shortage. Any backup documentation available should be attached to the memo.
3. The Auditor-Controller shall review the memo and determine those amounts that will be discharged. Once the discharge is approved a memo will be sent to the department. The department will then submit an emergency claim with the original memo attached to have the fund replenished.
4. Any request for discharge over the amount of two hundred dollars (\$200) will need to be requested of the Board of Supervisors. A copy of the request will need to be submitted to the Auditor-Controller's office. Once the discharge is approved the department will submit an emergency claim with the minute order to have the fund replenished.

XIII. TRUST FUNDS

1. All trust funds maintained by the department must be reconciled monthly. All differences must be resolved or reconciled.
2. For those funds belonging to other agencies, such as funds that are to be sent to the State, make sure that the funds are periodically being cleared out to the proper recipient.
3. Trust funds are established via Board resolution and authorization of the Auditor-Controller.

ALL DISCREPANCIES AND DEVIATIONS FROM THIS FISCAL POLICY MANUAL ARE SUBJECT TO AUDITOR-CONTROLLER AND THE RESPONSIBLE EMPLOYEE/DEPARTMENT HEAD MAY BE HELD ACCOUNTABLE SHOULD A DEFICIENCY LATER BE DETERMINED TO BE THE RESULT OF FAILURE TO FOLLOW THESE PROCEDURES.

12. COUNTY OF LAKE CANNABIS TAX USAGE & EXPENDITURE POLICIES & PROCEDURES

I. PURPOSE

The following policies and procedures provide history and guidelines for the expenditure of Cannabis Cultivation & Business Tax funds.

II. HISTORY

The Cannabis Cultivation and Business Taxes, authorized by Lake County voters through Measure C and Measure K, are both general purpose taxes not designated for specific uses. For tax revenue associated with Measure C, while the funds are a general tax available for whatever purpose the Board of Supervisors deems appropriate, the impacts to law enforcement, environmental protection, and water quality protection resources were noted as particular potential needs, along with the establishment of programs for County youth.

The allocated dollar figures for the fund categories will be funded first from the cannabis tax revenues during the year. Next, the percentage based categories will have funds allocated based on the remaining balance of revenue.

Any fund category that can have its needs met through other revenue sources, including the use of grants, fees, or State provided programming will have its allocation redistributed to the Stabilization Fund if necessary or redistributed to other categories. Any unused funds remaining in an individual category will rollover and be redistributed for use the following year pursuant to the allocation detailed below.

III. FUNDING PROCEDURE

Department Head Requests -

The Cannabis Tax Committee will serve as the primary point of contact and review for those departments requesting funds pursuant to Categories #1 - #4 below. A department head would approach the Committee with a proposed use, providing sufficient detail on the request and cost for the Committee to make an informed decision. Similarly, the Road Map Task Force will be the primary point of contact and review for those requests within its purview.

Board of Supervisors Requests -

In the event that that a Supervisor seeks to bring a request forward pursuant to this policy an item will then be placed on the next available Board of Supervisors agenda. At this point, the Board can have a preliminary discussion on the item and determine whether the item should be referred to the Committee for more in depth analysis and implementation.

The same processes discussed above shall apply to Category #5. However, since the Board has not already allocated the funds towards a particular purpose, a Committee

recommended request shall be placed on the consent agenda for the next available Board of Supervisors meeting. This ensures an opportunity for all Supervisors to review prior to final approval.

IV. ALLOCATION OF FUNDS

- 1) *Planning/Code Enforcement/Water Resources/Environmental Health*– (30%) There has been a continued funding gap with these services in regard to cost recovery via planning fees and administrative fines. This gap is currently met by the General Fund.
- 2) *Law Enforcement* – (30%) - This reflects the increased allocation for resources to provide law enforcement services. There were two deputy sheriff positions funded through the cannabis tax revenues starting in 2019. In 2020, an additional position was added for the Sheriff to participate in a code enforcement task force, along with the funding to acquire Automated License Plate Readers.
- 3) *Economic Development/Housing/Risk Reduction* – (30%) - These areas have been identified as high priorities in the County. This allocation would provide the funding necessary to address related projects and programs.
- 4) *Youth Programs* - (10%) - This represents the establishment or continued funding of programs for County youth. This category represents the highest designated allocation of State discretionary spending of cannabis tax revenue, at 60% via YEPEITA, meaning that other priorities have a much lower allocation of outside revenue available to them. This has been the experience with both anticipated and already available Prop 64 Grant funding.
- 5) *CannGrant* - (\$500,000) – This allocation can be used to fund projects that are not encompassed by one of the existing allocations. These grants would be awarded through the procedure described in Section III.
- 6) *Workforce Retention & Development* – (\$3,250,000) - There are many departments where staff is impacted by the cannabis industry, both legal and illegal in Lake County. In just reviewing some of the priorities included in Measure C, there are readily identifiable impacts to the Sheriff, District Attorney, Probation, Public Defender, County Counsel, Agriculture, Community Development, Public Works, Water Resources, and Environmental Health. There are more indirect, less quantifiable impacts that touch nearly every department requiring staff time. With the County’s recognition that staff represents both its greatest cost and resource, cannabis tax can support this recurring and steadily growing expense. These funds will be allocated as necessary to offset General Fund costs.
- 7) *Board of Supervisors Discretionary Spending Fund* – (\$500,000) - The \$500,000 allocation would be split evenly across the 5 districts. This resulting \$100,000 would be available to at the discretion of each Supervisor to spend wherever the greatest

need exists within their district. The spending does not need to meet the criteria defined in any of the discussed categories.

- 8) *Cannabis Revenue Stabilization Fund* – (Minimum of One Year of Ongoing Expenses) – This allocation would be adjusted to reflect whatever allocation would be necessary to achieve a balance equal to at least one year of expected ongoing expense. This provides for smoothing of potential revenue shortfalls and allow the aforementioned services to be fully funded without the need for cuts to services. Allocations to the Stabilization Fund would cease so long as a balance approximating ongoing expenses is achieved. These funds will also be available to satisfy remaining obligations from CannGrants awarded in the prior fiscal year that have not yet been completed.
- 9) *Capital Improvement & Deferred Maintenance Fund* – (\$1,000,000) – Due to past funding shortfalls, there are many county facilities that are in need of necessary repairs and improvements. The \$1,000,000 allocation would allow these deferred actions to be addressed.
- 10) *Road Map Task Force* – (\$1,000,000) – This provides funding for the Board designated task force to focus on community revitalization efforts in this fiscal year’s designated target area.

The Cannabis Tax allocation, as described above, shall be regularly reviewed during County budget cycle. The purpose of the review is to determine whether or not the Cannabis Tax allocations specified above should be revised to most effectively service the goals detailed above.

(Adopted by the Board of Supervisors 09/14/2021)