

3.37 Fund Balance Policy

Overview

This purpose of this policy is to establish the principles and parameters to which a Fund Balance target will be defined at the beginning of each budget period. This policy is established to provide financial stability, cash flow for operations, and the assurance that the Niles-Maine District Library (“District”) will be able to respond to emergencies with fiscal strength.

In the event that unexpected situations may cause the District to fall below the minimum level, certain steps will be followed to correct the deficiency, as outlined in the section below “Minimum Target Balances.”

Guiding Parameters

It is the District’s philosophy to support long-term financial strategies, where fiscal sustainability is its first priority, while also building funds for future growth. It is essential to maintain adequate levels of fund balance to mitigate current and future risks and to ensure stable tax rates.

The following parameters will be used as part of the budget process to establish targets for the following funds:

General Fund – The unrestricted fund balance target should represent at least six months of operating expenditures (total expenditures minus capital department). Balances above the six-month target may be transferred to the Special Reserve Fund. General Fund balances are considered to be unrestricted.

Special Reserve Fund – Capital projects are funded through the Special Reserve Fund. Amounts set aside in the Special Reserve Fund will be considered restricted.

Special Revenue Funds – The Audit, Liability Insurance, Social Security, Workers’ Compensation, Unemployment Compensation, and Building and Site Funds are Special Revenue Funds. These funds have a targeted fund balance between three and six months of expenditures. These funds will be monitored and the taxes levied to support them will be adjusted to ensure they operate within the target range. It may take more than one levy cycle to ensure the funds are operating within the proper range. Special Revenue Funds are considered to be restricted.

Authority/Reporting

Staff will prepare and include in the budget document a schedule that shows the status of the District’s balances compared to the targets outlined in this policy.

Exceptions to the Policy –

If the District Board of Trustees adopts a budget that does not meet the parameters of this policy, then the budget will include a plan for adhering to this Policy within a five-year period.

Adopted by the Niles-Maine District Library Board of Trustees 10.16.2019