

Fund Balance Policy

North Shore Public Library

Purpose and Use:

This policy is established to ensure the North Shore Public Library's financial security through the maintenance of a fiscally responsible unrestricted and unreserved fund balance that guides the creation, maintenance and use of resources for financial stabilization purposes.

The Library's primary objectives by way of establishing a reasonable fund balance are to maintain a prudent level of financial resources to protect against reducing service levels; stabilizing tax rates and fees; avoid borrowings to meet cash flow needs due to revenue short-falls or unanticipated one-time expenditures; providing for the management of the timing of receipts and disbursements; providing for contingency appropriations that may be necessary to avoid budgetary dislocations, extraordinary assessments or other necessary potential expenditures that may tend to impair the fiscal integrity of the Library.

A reasonable, stable, fund balance is recognized as an element of effective long-range planning and can assure the maintaining of or improving bond/credit ratings; reducing reliance on short-term borrowings and thereby reducing interest costs, as well as stabilizing and protecting programs from cutbacks. Further, as a tenant of the Shoreham-Wading River CSD the Library is subject to ejection as an occupant of premises owned by the District as an annex of the District's High School and, accordingly, must be in a position to obtain real or improved property for the continuation of its operations with the attendant initial expenses of locating, procuring and building upon (or renovating) such property.

Accordingly, in conjunction with the establishing of its annual budget and consistent with prudent budgeting practices necessary to ensure the orderly operation of the Library and the continued provision of services the Board Of Trustees will fully review, consider and determine the appropriate level of fund balance that is to be maintained from year-to-year being mindful of the above-cited considerations.

The Library Director and Treasurer shall annually prepare a report documenting the status of the fund balance and provide for recommendations as to the balance to be maintained into the subsequent fiscal year and present it to the Board of Trustees in conjunction with the development of the annual budget. Should the report disclose that there are unreserved, undesignated funds available a recommendation for the use of such funds shall be presented to the Board in the report.

See attachment 1 (a)

Fund & Minimum Balance Policy (GASB 54):

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Library's policy is to apply restricted net asset first. The Library Board of Trustees accepts the following asset spending order, as defined in GASB 54:

Restricted-fund balance amounts that can be spent only for the specific purposes stipulated by external resource providers, for example, grant funds. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed-fund balance includes amounts that can be used only for the specific purposes determined by the Library Board of Trustees as the highest level of decision-making authority. Commitments may be changed or lifted only by the Library Board of Trustees taking the same formal action that imposed the constraint originally.

Assigned-Fund Balance comprises amounts intended to be used by the Library for specific purposes. Intent can be expressed by the Library Board of Trustees or by an official or body to which the Library Board of Trustees delegates the authority. Assigned fund balance represents the amount that is not restricted or committed.

Unassigned-Fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

Minimum Balance-

The North Shore Public Library is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The Library's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than four months of general fund operating expenditures, or 33 percent of General Fund expenditures and other financing uses.

Unassigned Fund Balance may be accessed in the event of unexpected expenditures up to the minimum established level upon approval of a budget amendment by the Library Board.

Any budget amendment that will result in the Unassigned Fund Balance dropping below the minimum level will require the approval of a majority of the Library Board.

In the event that the balance drops below the established minimum level, the Library Board of Trustees will develop a plan to replenish the fund balance to the established minimum level within two years.

Attachment : 1 (a)

Adopted: August 27, 2013

NORTH SHORE PUBLIC LIBRARY THE LIBRARY'S FUND BALANCE

The Library maintains a Fund Balance as of 6/30/15 in the amount of \$2,810,824 which fluctuates from year to year based upon Library funding needs; \$1,023,390 is currently considered to be the "unassigned" portion of the Fund Balance and, therefore, able to be utilized for unexpected contingencies and as a source of funding the Library's budget from July 1 to December 31 as the Library's real property tax receipts received through the School District do not commence until January (half way through the Library's fiscal/ budget year). Rather than exposing the School District's taxpayers to borrowing monies with the attendant interest charges this "unassigned" segment of the Fund Balance enables the Library to meet its budget expenses during the first six months of its fiscal year.

Actually, with a budget of approximately \$3.6 million some \$1.80 million is necessary to be available during the first half of the Library's fiscal year (July 1 – December 31); the unassigned fund balance cited above is, accordingly, not sufficient to meet the Library's bills; however the Library has set aside an additional amount of \$138,925 for other stated purposes including as a funding source for automation expenses and potential unemployment insurance payments (the Library self-insures rather than burden the taxpayers with unemployment insurance premiums); the balance of the \$1,499,375 is also set aside for absorbing the future costs of Library debt obligations including payments due relating to retirees' health coverage; retirees' unused vacation time, etc. and \$215,286 of this total is set aside for capital improvements. Rather than to "mortgage" the future the Library has responsibly, set aside monies to underwrite these future costs; the alternative would be for the taxpayers to suffer budgets including significant lines attributed to paying for such future obligations. The Library has stabilized its tax rates while still setting-aside funds to assure that future obligations do not bankrupt the Library.

Just as most families seek to set aside amounts to cover future anticipated expenses (whether it be for college education; housing or retirement) the Library, as well, seeks to retain a fund to absorb future obligations.

As a community resource the Board of Trustees seeks to assure that the fiscal integrity of the Library can be maintained currently and for decades into the future.

The Library's budget has been stable for the past decade; the tax rate established to raise budgetary monies on behalf of the Library has been stable over the last decade; and the Library has provided the same level of services and programs that have been enjoyed by its patrons over the last decade.

It is expected that by way of solid planning that these three attributes can be continued (see the Library's Fund Balance Policy adopted in August of 2013 for a further review and explanation regarding the utilization of a fund balance within an over-all plan seeking to avoid financial dislocation).