



Policy 5.15
Fiscal Management Policy
Adopted by the Library Board of Trustees: 10/27/2016

Purpose. The North Olympic Library System Board of Trustees establishes the following Fiscal Management Policy in order insure that the Library’s fiscal, financial, and budget practices are conducted according to sound and accepted financial procedures and policies, and to support responsible and sustainable stewardship of public resources.

Budget, Revenues and Expenditures.

In accordance with state law, RCW 27.12.070, the Clallam County Office of the Treasurer serves as the Library’s fiscal agent for receiving and disbursing taxes levied on behalf of the Library.

The Board approves an annual Operating Budget defining anticipated revenues and operating expenditures in each fund. The Operating Budget shall be balanced, with revenue equaling or exceeding expenditures.

Current year operations are funded from current year revenues. Permitted exceptions include, but are not limited to, transferring funds between fund accounts or the incurring of debt. As a policy the Library will stay within its projected resources (revenues and reserves) and not incur debt for operational purposes.

The Library maintains long-term budget sustainability based on projected expenditure commitments and compensation practices that are consistent with long-term revenue projections.

The Library’s Reserve funds are a fiscal resource to stabilize and ensure long-term library sustainability. As a general rule reserves will not be used as a substitute for budget reductions to meet economic challenges. Use of reserve funds to support operating budget deficit will be approved by the Board only in accordance with NOLS’ established reserve and fiscal management policies and strategies.

The Library’s Operating Budget shall be officially adopted by the Board of Trustees at the November Board meeting preceding the fiscal year of the budget. The Operating Budget provides for all annual operating costs.

The Library’s Capital Budget shall be officially adopted by the Board of Trustees at the January Board meeting for the fiscal year of the budget. The Capital Budget provides for routine annual capital improvement and maintenance of the Library’s capital infrastructure.

Large scale non-routine capital projects may be funded from various gift, grant, or Capital Project accounts, which will be approved separately by the Board on a case-by-case basis.

Amended or revised budgets may be adopted by the Board as needed.

Fees and charges will be established through Board action.

Reserve Accounts.

NOLS maintains a number of Board Designated Reserve accounts. These accounts are designated or restricted as to use by the NOLS Board. NOLS may also maintain other Reserve accounts, which are designated or restricted as to use by donors or other legal requirements.

The Library will maintain the following **Board Designated Reserve Accounts**:

- *Fiscal Emergency Reserve*— designated as a reserve resource to be used in the event of a significant fiscal emergency as declared by the Board, including events such as the need to fund the Undesignated Cash Operating account, payout a substantial portion of the workforce, weather widespread tax default, or respond to significant natural catastrophe or civil disruption. The Fiscal Emergency Reserve will be funded to a level that represents approximately four months of operating expenses.
- *NOLS Capital Reserve* - designated as a reserve resource for maintaining and enhancing capital infrastructure. Funds may be designated, at Board direction, to support capital replacement or enhancement projects at any NOLS facility.
- *Port Angeles Capital Reserve*, designated as a reserve resource for capital projects at the Port Angeles Main Library. (This account was originally funded from a sinking fund established for this purpose in conjunction with the bond that funded construction of the Port Angeles facility).
- *Technology Reserve* - designated as a reserve resource to address significant planned or unplanned technology needs or projects.
- *Branch/Facility Capital Project Accounts* may be created at need to receive and disburse funds for capital projects at various Library locations. (e.g *Sequim Capital Project Account*).
- *Operating Reserve account* – serves as a holding account for funds set aside to augment annual revenues in deficit budget years, when operations and maintenance costs exceed expected revenues. Funding and use of Operating Reserves will be authorized by the Board in keeping with established reserve and fiscal management strategies.
- *The Capital Budget account* - serves as a receiving account for timber revenues. Funds in this account are utilized to support projects designated in the approved Capital Budget for the year following receipt of the revenues.

Reserve Account funds may be held jointly in both liquid accounts (such as the State Local Investment Pool) and investment accounts (such as Certificates of Deposit).

For purposes of managing the Library's finances, additional reserve accounts may be designated and/or reserve funds may be transferred between library reserves and/or operating accounts by the Board at any time.

Grants and Donations.

The Library Director or designee will create and maintain designated Grants and Donations funds as necessary to accurately control and account for funds received as grants and donations. Board authorization is not required for establishing grants and donations funds.

Operating Funds.

In order to insure the cash flow needed to maintain operations during months where property tax receipts are low (generally January through April), without the need to borrow money, the *Undesignated Cash Operating Fund* will be funded at the beginning of each fiscal year, at a minimum balance equivalent to at least four months of operating costs, based on the total Operating Budget for that year.

In order to ensure the ability to so fund the *Undesignated Cash Operating* fund, the balance of the *Fiscal Emergency Reserve* will never be depleted below an amount equivalent to approximately four months of operating expenses.

Upon declaring a need for fiscal resources to address a significant emergency having effects that cannot be addressed through the existing budget, the Board may take action to release cash reserves for purposes of meeting fiscal obligations and/or ensuring continuity of operations and services.

Administrative Responsibilities.

The Board expects the Library Director and designees to carry out the following responsibilities:

1. Establish a budget system and administer the budget process.
2. Establish and maintain financial procedures for managing the Library's cash. Document, keep prudently current, and enforce such financial procedures as an implementation of this fiscal policy.
3. Establish and maintain a strategic fiscal management plan.
5. Develop and manage fiscal practices that support reserve strategies established by the Board.
6. Administer a cash-flow system as an anticipatory approach to budgeting, and meet the Library's expenditure needs for future operations, including bill management.
7. Implement the State of Washington's Budget, Accounting, and Reporting System (BARS).
8. Furnish the Board appropriate financial reports on a monthly basis.

Board Responsibilities

The Board has responsibility for the following:

1. Assist with budget development and approve annual Operating and Capital budgets;
2. Regularly review financial reports;
3. Approve voucher payments;
4. Regularly review reserve balances and strategies;
5. Approve transfer of funds among Board designated accounts as needed;
6. Participate in the bi-annual State audit process.
7. Review this fiscal management policy periodically, and amend it as deemed appropriate.