
FINANCIAL PLANNING - FUND BALANCE GUIDELINES

For the purpose of financial planning, FUND BALANCE, also referred to as operating reserves, is defined as the cumulative surpluses (deficits) resulting from the difference between expenditures and revenues. It is important to maintain positive fund balances in order to avoid borrowing to meet operating expenses and to provide reserves for emergency expenditures, one-time capital costs or nonrecurring expenditures.

In order to carry out Board Policy, 4.01 - FINANCIAL PLANNING, the administration maintains guidelines to protect the fund balances of the district. Financial planning is designed around the coordinated use of fund balances and cost containment.

COORDINATED USE OF FUND BALANCES (OPERATING RESERVES):

For the purposes of this plan, funds are grouped into:

- a. Strategic - Education, Tort, Operations & Maintenance and Working Cash
- b. Non Strategic - Transportation, Municipal Retirement, Social Security, and other Funds
- c. Fire Prevention and Safety is set aside since this fund typically operates in a deficit condition for levy purposes

Decision Points (reserve floors) are identified based on the relationship between end-of-the-year audited fund balances and proposed annual budgets with corresponding anticipated fund balances. The following Decision Points (reserve floors) would require action:

STRATEGIC FUNDS:

If the Strategic Funds Cumulative Fund Balance reaches the 30% mark, then cost containment and/or other measures shall be implemented to bring the balance back (replenishment) to the 30% mark. At no point will the administration allow the Strategic Funds Cumulative Fund Balance to fall below the 30% level without prior Board approval and a recommendation for reserve replenishment.

In order to meet program needs (operating costs), the Board may allow transfers necessary to minimize negative fund balances within individual Strategic Funds.

NON-STRATEGIC FUNDS:

If the Non Strategic Funds Cumulative Fund Balance reaches the 15% mark, then cost containment measures shall be implemented to bring the balance back (replenish) to the 15 % mark. At no point will the administration allow the Non

Strategic Funds Cumulative Fund Balance to fall below the 15% level without prior Board approval.

COST CONTAINMENT:

For the purposes of this plan, cost containment means the reduction of expenditures in various funds across the district. Cost Containment measures may include, but are not limited to:

- Increase in class size average through reduction in staff
- Reduction in capital costs
- Reduction of program offerings

The Administration is charged with the responsibility for continuously monitoring the financial condition of the district and with controlling budget development so as to avoid reaching the decision points mentioned in this plan. The Administration shall inform the Board with each budget presentation as to the fund balance condition in the strategic and non-strategic funds of the district. When possible, increased revenue generation may also be recommended during this process.

RESERVE DRAWDOWNS:

For the purposes of these procedures, a reserve drawdown, to a level below the floor(s), must receive prior approval by the Board and should only be for the reasons described in paragraph one above. In addition, a recommendation to replenish reserves should also be approved by the Board, for the following budget year, to levels consistent with these procedures.

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