



Fund Balance Policy

Effective Date: 05/28/2014

Revised: 3/25/2015, 3/22/2017, 6/28/2017

Purpose

The Board of Trustees has approved a Fund Balance Policy that establishes a minimum level at which the projected year-end fund balance of each fund should be maintained. This policy is established to provide financial stability, cash flow for operations and assurance that the Library will be able to respond to emergencies with fiscal strength.

It is the Library's philosophy to support fiscal sustainability as our first priority while also building funds for future needs. Adequate fund balance/net asset levels are crucial in long-term financial planning. If the Library 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 the policy within a five-year period.

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

Corporate Fund (Nonspendable, unassigned)

The Corporate Fund is the general operating fund of the Library. It is used to account for administrative, library, and all financial resources, except those accounted for in another fund. Unrestricted fund balance targets should represent no less than two months and no more than twelve months of operating expenditures. Balances above the maximum or at fiscal year-end may be transferred to the Special Reserve Fund through Board resolution.

Special Reserve Fund (Capital, committed)

Special Reserve Fund monies are solely for the purpose of carrying out the Library's capital projects or for use in emergencies (facility emergencies or extremely delayed tax receipts from Cook County). Special Reserve Fund targets match the capital projects planned for by the Board of Trustees.

Building and Site Fund (Committed, unassigned when in deficit)

The Building and Site Fund is the maintenance and repair fund for the Library. The fund is used in its totality each year to pay for the general maintenance of the Library. After funds from this levy are expended, remaining necessary expenditures for Library maintenance are debited from the Corporate Fund.

IMRF Fund (Restricted)

A non-major fund to account for expenditures resulting from mandatory participation in the Illinois Municipal Retirement Fund. Revenues are provided by a specific line item in the annual property tax levy sufficient to pay contributions on behalf of Library employees. Fund balances are legally restricted to the purpose of the fund.

Social Security Fund (Restricted)

A non-major fund to account for expenditures for payroll taxes required by the Federal Insurance Contributions Act. Revenues are provided by a specific line item in the annual property tax levy and are therefore legally restricted to the purpose of the fund.

Monitoring Targets

The Director in conjunction with the Finance Committee and Board of Trustees will monitor revenue collections, expenditures, and availability of cash by reviewing monthly financial reports. The Director shall advise the Board of Library Trustees whenever revenue projections fall short of expectations or unexpected expenditures exceed the budget, and/or if for any reason fund target(s) may not be met by the end of the fiscal year. In this event, the Director will take the following actions:

- Review expenses with management staff;
- Reduce capital expenditures for construction and development;
- Reduce operating expenditures where appropriate, maintaining priorities established by the Board of Library Trustees and the State of Illinois;
- Present to the Board of Trustees other expense reduction and expenditure control options, including those that might modify goals or directions previously established by the Board.

Definitions

Nonspendable Fund Balance: the portion of a governmental fund's balance that is not available to be spent, either in the short term or long term, or through legal restrictions (e.g. inventories, prepaid items, land held for sale and endowments).

Restricted Fund Balance: the portion of a governmental fund's balance that is subject to external enforceable legal restrictions (e.g. grantor, contributor and property tax levies).

Unrestricted Fund Balance, made up of three components:

- Committed Fund Balance:** the portion of a governmental fund's fund balance with self-imposed constraints or limitations that have been placed at the highest level of decision making through formal board action. The same action is required to remove the commitment of fund balance.
- Assigned Fund Balance:** the portion of a governmental fund's balance to denote an intended use of resources, but with no formal board action.
- Unassigned Fund Balance:** available expendable financial resources in a governmental fund that is not the object of a tentative management plan.