



Fund Balance Policy
ADOPTED DATE 9/26/2019
REVISED DATE
REVIEW DATE 2/26/26
REVISION # 1.0

LIBRARY POLICY

Fund Balance Policy

PURPOSE

The Fund Balance Policy establishes a minimum level at which the projected year end fund balances should be maintained, in order to provide long-term financial stability, cash flow for operations, and fund balances adequate to ensure that the Library will be able to respond to emergencies from a strong fiscal position.

POLICY

Fund Classifications

General Fund: This fund is used for all financial resources not accounted for and reported in another fund classification.

Special Revenue Funds: These funds account for the proceeds of special revenue sources which are restricted or committed to expenditures for specific purposes other than debt service or capital projects, including:

Audit funds account for expenditures related to the statutorily mandated annual financial compliance audit. Revenues are obtained by a specific line item on the annual property tax levy and their use is restricted to the purpose of this fund.

Building and Site funds account for expenditures related to the purchase of sites and buildings, construction and equipment of buildings, and maintenance, repairs, and alterations of library buildings and equipment. Revenues are obtained by a specific line item on the annual property tax levy and their use is restricted to the purpose of this fund.

IMRF funds account for the Library's participation in the Illinois Municipal Retirement Fund. Revenues are obtained by a specific line item on the annual property tax levy and their use is restricted to the purpose of this fund.

Liability Insurance funds account for the insurance expenditures including unemployment compensation and worker's compensation insurance, as well as the Library's risk management and loss control activities. Revenues are obtained by a specific line item on the annual property tax levy and their use is restricted to the purpose of this fund.

Social Security funds account for the Library's compliance with the Federal Insurance Contributions Act (FICA). Revenues are obtained by a specific line item on the annual property tax levy and their use is restricted to the purpose of this fund.

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Special Reserve funds account for financial resources assigned to expenditures for the expansion and improvement the library facility through expert studies and/or consultants, purchase of real estate site for buildings, construction of facility, or the remodeling, repairing, improving or addition to existing facilities, or for the purchase of necessary equipment and materials for or in anticipation of such expanded library facilities.

Working Cash funds are held in reserve to provide for the operations of the District in the event that there is a delay in receiving anticipated levied tax funds. In such an emergency event the funds may be temporarily transferred to the General Fund to cover the costs of operations. Once the delayed taxes are collected, the Working Cash fund should be reimbursed for any expenditures.

Categories of Fund Balance Restriction

Governmental funds equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned or unassigned.

- **Non-spendable Fund Balance:** Resources that cannot be spent because they are not in spendable form, such as inventory and prepaid items.
- **Restricted Fund Balance:** Resources that are constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. For example, grants, debt proceeds, tax levies such as for IMRF.
- **Committed Fund Balance:** Resources constrained by formal actions of the Board of Trustees, which is considered the Library's highest level of decision making authority. Formal actions include resolutions and ordinances approved by the Library Board.
- **Assigned Fund Balance:** Amounts constrained by the Library's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Library Director.
- **Any residual fund balance of the General Fund and any deficits in other funds, if any, is reported as unassigned.** Unassigned amounts are available for any purpose. These are the current resources available for which there are no governmental self-imposed limitations or set spending plan. Although there is generally no set spending plan, there is a need to maintain a certain funding level. Unassigned fund balance is commonly used for emergency expenditures not previously considered. In addition, the resources classified as unassigned can be used to cover expenditures for revenues not yet received.

Some funds are funded by a variety of resources, including both restricted and unrestricted (committed, assigned, and unassigned). The Library's order of spending fund balance is as follows: restricted, committed, assigned, unassigned.

In the government-wide financial statements, **restricted net assets** are legally restricted by outside parties for a specific purpose. **Invested in capital assets, net of related debt**, represents the Library's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset.

Unrestricted net assets consist of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

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General Fund: At the end of each fiscal year, the District will maintain spendable-unassigned portions of the fund balance for cash flow in a range equal to 30-75% of the General Fund annual operating expenditures. In addition to cash flow needs, this accommodates emergency contingency concerns. General Fund balances over the maximum at the end of the fiscal year may be transferred to the Special Reserve Fund by the Board of Trustees.

Special Revenue Funds: These funds, with the exception of the Special Reserve Fund, have a targeted fund balance between 25-150% of annual 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 Reserve Fund: The goal of the Library is to maintain the Special Reserve Fund at a level appropriate for anticipated capital requirements.

Fund balances may fall occasionally outside of the target ranges because of special projects, construction, emergencies, other extenuating circumstances, and/or levy restrictions.