

## Fund Balance

This policy establishes a target for the General Fund balance at the beginning of each budget period.

### Section 1: Definitions

#### Section 1.1: Fund Balance

The difference between assets and liabilities in a Governmental Fund.

The categories of fund balance, as established by Governmental Accounting Standards Board Statement Number 54, are as follows:

- a. Non-spendable: amounts that cannot be spent because they are not in spendable form (i.e.: inventory, prepaid items)
- b. Restricted: amounts not available for expenditure due to external restrictions, including grant restrictions, laws, or regulations. Most often they are provided by a specific item on the annual property tax levy and are legally restricted for the purpose of that fund. (grants, debt proceeds, tax levies such as for IMRF or FICA).
- c. Unrestricted: the total amount of committed, assigned, and unassigned fund balances.
  - Committed: amounts that are designated for specific purposes by formal action of the Library Board. (the Library Board may reverse this action if it is later determined the funds are needed for another purpose.)
  - Assigned: amounts management (i.e. Executive Director) intends for specific purposes.
  - Unassigned: Available expendable financial resources in the General Fund that is not the object of tentative management plan.

#### Section 1.2: Operating Expenditures

Total expenditures minus capital expenses and debt service payments.

### Section 2: Guiding Parameters

It is the District's philosophy to support long-term financial strategies, where fiscal sustainability is its first priority, while also building funds for future growth. It is essential to maintain adequate levels of fund balance to mitigate current and future risk, and to ensure stable tax rates.

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

- General Corporate Fund: The unrestricted fund balance target should represent between six months and twelve months of operating expenditures. General Fund balances over the maximum at the end of the fiscal year may be transferred to the Special Reserve Fund through Board resolution.
- Restricted funds such as Social Security, IMRF, Liability, and Audit Funds – these funds have a targeted fund balance between 6 months and 24 months of 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.

**Section 3:** Flow Assumptions

Some projects (funds) are funded by a variety of sources, including both restricted and unrestricted (committed, assigned and unassigned). When restricted funds exist, those funds are used first, then committed, assigned, and unassigned in that order.

The Board may, by ordinance, establish a special reserve fund, for the purpose of Section 40 (construction of a building, purchasing of a site or building, remodeling, repairing, or improving an existing library building, building an addition to an existing library building, or purchasing necessary equipment) or for emergency expenditures for the repair of an existing library building or its equipment. The board may transfer to the to the special reserve fund, each year, the unexpended balances of the proceeds received annually from annual public library taxes not in excess of statutory limits if (i) the board has resolved to develop and adopt a plan or plans as authorized in this Article and (ii) the board provides in the annual appropriation ordinance for accumulation of those unexpended balances. The Plan may be amended as circumstances may require. No Plan is needed for the emergency expenditures from the special reserve fund for the repair of an existing library building or its equipment. (75 ILCS 16/40-50 a, b & c)

**Section 4:** Monitoring Targets

The Executive Director in conjunction with the Indian Trails Public Library District Board of Library Trustees will monitor revenue collections, expenditures, and availability of cash by reviewing monthly financial reports. The Executive Director shall advise the Board whenever revenue projections suggest that revenue will fall short of expectations, unexpected expenditures will exceed budget, or fund target(s) may not be met by the end of the fiscal year.

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

During the year, if revenue projections suggest that revenue will not meet expectations and the fund target(s) will not be met by year-end, the Executive Director will take the following actions to reach the goals stabled in the adopted budget:

- a. Review expenses with department management
- b. Reduce capital asset expenditures
- c. Reduce operational expenditures, where appropriate, while maintaining the adopted budget goals
- d. Present to the Board other expenditure control options, including those that might modify the goals established in the budget.