

WEST CHICAGO PUBLIC LIBRARY DISTRICT

FUND BALANCE POLICY

Purpose

A Fund Balance Policy establishes a hierarchy in the use of funds and a minimum level (target range) at which end-of-year fund balances should be maintained. This policy is intended to support financial stability, cash flow for operations, and maintenance of adequate fund balance to mitigate future risks (e.g., revenue shortfalls, unexpected expenditures). Fund balance levels are a crucial consideration in long-term financial planning.

Flow Assumption

Some programs/projects are funded by a variety of resources, both restricted and unrestricted. Unrestricted resources are either committed, assigned or unassigned. When restricted funds exist, those are to be used first, then unrestricted. For unrestricted funds, committed funds are used first, then assigned, then unassigned.

Classification of Resources

Restricted Fund Balance – Net assets subject to external enforceable legal restrictions.

Committed Fund Balance – Net assets with self-imposed constraints or limitations approved by Ordinance or action of the Board of Trustees. Formal action to commit fund balance must occur before the end of the fiscal year. Modification or removal of the constraint/limitation must use the same action used to commit the fund balance.

Assigned Fund Balance – Net assets with self-imposed constraints based on the intent to use fund balance for a specific purpose. Intent may be denoted by the Board of Trustees; authority to denote intent may be delegated to the Library Director.

Unassigned Fund Balance – Available expendable financial resources that are not restricted, committed or assigned (i.e., not the object of a tentative management plan).

Fund Balance Levels

- General Fund – The General Fund is the general operating fund of the West Chicago Public Library District (WCPLD). It is used to account for administrative, maintenance, library and all financial resources except those accounted for in another fund.

Unrestricted fund balance targets should represent no less than three months and no more than twelve months of operating expenditures. Balances above the maximum or at fiscal yearend may be transferred to other funds such as the special reserve fund or to capital projects.

- GASB 54 Emergency Reserve – This reserve within the General Fund is established to set aside and account for financial resources needed for operations in emergency situations (e.g. payroll costs, operating expenses, utilities, etc.). The fund balance is targeted at an amount equal to 25% of the current fiscal year budget approved by the West Chicago Public Library District Board of Library Trustees.
- Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes other than debt service or capital projects. Fund balances are derived from property taxes and are therefore legally restricted to the purpose of the fund.
 - IMRF Fund – A non-major fund to account for expenditures resulting from the WCPLD 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 WCPLD employees. Fund balances are legally restricted to the purpose of the fund.

The targeted restricted fund balance for each Special Revenue Fund shall be calculated as follows:

- A portion of the fund balance will be restricted based on the amount of deferred property tax revenue at fiscal year end.
 - The remaining restricted fund balance will be targeted at a maximum level of up to 25% of annual budgeted expenditures, to be adjusted annually with the adoption by the Board of Library Trustees of the annual budget, calculated at a minimum of 3 months of budgeted expenditures for the specified purpose.
- Debt Service Fund – This major fund is established for expenditures related to the payment of principal and interest on bonds issued by the WCPLD. The WCPLD levies an amount that approximates the principal and interest expected to be paid. The fund balance is fully restricted for debt service; however, any fund balance remaining once all bonds issued by the WCPLD are fully retired may be transferred to capital or retained for future debt payments.
- Capital Projects Fund – This major fund is established to account for and report financial resources for capital maintenance and repair, construction and/or development; a sub-fund is established for capital expenditures to address emergency situations and/or permissible capital improvement projects and expenditures (Special Reserve). The fund balance is reviewed in developing the Capital Spending Plan and is maintained at a level appropriate in light of upcoming capital requirements.

Monitoring Targets

The Library Director in conjunction with the WCPLD Board of Library Trustees Finance Committee will monitor revenue collections, expenditures and availability of cash by reviewing monthly financial reports. The Library Director shall advise the WCPLD Board of Library Trustees whenever revenue projections suggest that revenue will fall short of expectations or unexpected expenditures exceed budget or if for any reason fund target(s) may not be met by the end of the fiscal year. Further in this event, the Library 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 WCPLD Board of Library Trustees;
- Present to the WCPLD Board of Library Trustees other expense reduction and expenditure control options, including those that might modify goals or directions previously established by the Board.

Approved by Board of Library Trustees: May 23, 2011

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