

FUNDS BALANCE POLICY

The Funds Balance Policy of the St. Charles Public Library District (Library) establishes a minimum level (target range) at which the projected end-of-year fund balance should be maintained. This policy is established to provide financial stability, cash flow for operations, and the assurance that the Library will be able to respond to emergencies with fiscal strength. It is possible that unexpected situations may cause the Library to fall below the minimum level, at which point certain steps will be followed to correct the deficiency, as outlined in the Policy below under “Minimum Target Balances.”

Flow Assumption: Some funds are funded by a variety of resources, including both restricted and unrestricted (committed, assigned, and unassigned). When restricted funds exist, those funds are used first, then unrestricted. For restricted funds, committed funds are used first, then assigned, then unassigned. (See **Definitions** below).

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

General Fund:

On an annual basis, the Library Board approves the transfer of the balance remaining in the General Fund to the Special Reserve Fund, as authorized by Ordinance No. 2004/2005-7: Establishing a Building and Equipment Accumulations Special Reserve Fund adopted on January 12, 2005. The Library Board approves the transfer annually with a Resolution in June.

Special Revenue Funds:

Funds used to account for and report the proceeds of specific revenue sources that are restricted (tax levy) or committed (by the Board) to expenditures for specific purposes other than debt service and capital projects.

- i. **Audit, Liability, Illinois Municipal Retirement Fund, and Social Security** – These funds are reviewed annually in the levy process to ensure that sufficient funds are available in the next period. The Board levies only the amount necessary to cover projected expenses during the next period and does not levy to accumulate reserves in these funds.
- ii. **Gift and Special Trustee Fund** - The Gift and Special Trustee Fund is not supported through the property tax levy. It is supported through gifts and bequests to the Library, both restricted and unrestricted, and is controlled at the discretion of the Library Board. As such the fund may be budgeted for specific purposes, but an accumulation of fund balance is acceptable. The Fund was established through Resolution No. 1982-5, on April 14, 1982.

Not considered special revenue funds:

Capital Funds – Building and Equipment Accumulations Special Reserve Fund (“Special Reserve Fund”) and **.02% Building Maintenance Fund**. The balances of these capital funds are 100% committed for maintenance, construction, and/or capital development. Increase and decreases in fund balances are associated with the specific projects planned. Therefore, no specific target range is established for this type of fund.

The **Special Reserve Fund** is funded with revenue from the Corporate Fund balance transfers at the end of the fiscal year and following the audit; interest earned on the fund remains with the fund. In February 2019, the Board voted on a building expansion/renovation budget of \$18.6 million to come out of the Special Reserve Fund. Ordinance 2018-2019-8 confirms the use of this Fund. It is the goal of the Library, as directed by the Library Board, to have at least six months of operating expenses in the Special Reserve Fund for capital emergencies. The **.02% Building Maintenance Fund** is funded with an annual levy as authorized by 75 ILCS 16/35-5, and the interest that is earned on the tax revenue.

Minimum targets:

The Library Board and Director will monitor revenue collections and the amount of cash available by reviewing monthly financial reports. During the year, if revenue projections suggest that revenue will not meet expectations and the fund target(s) will not be met by the end of the year, the Board will take the following action to reach the goals established in the adopted budget:

- Review expenses with Library Director
- Reduce capital asset expenditures
- Reduce operational expenditures where appropriate, while maintaining the adopted budget goals.
- Consider other control options, including those that might modify the goals established in the adopted budget.

Annual Review:

Compliance with the provisions of this policy shall be reviewed as part of the annual budget process

Interest Allocation:

Interest is generated from the cash in each fund. It is the decision of the Board to allocate this interest to the General Fund as interest accumulates.

GASB No. 54 Definitions:

Fund balance will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Non-spendable fund balance*—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).

- *Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance*—amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- *Assigned fund balance*—amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts are reported only in the general fund.

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