

**Policy 750**  
**Fund Balance Policy**

Purpose

A Fund Balance Policy establishes a hierarchy in the use of funds and a minimum level (target range) at which the end-of-year fund balance for the General Fund should be maintained. This policy is intended to provide financial stability, cash flow for operations, and the assurance that the library will be able to respond to emergencies.

Flow Assumption

Some programs/projects are funded by a variety of resources, both restricted and unrestricted. Unrestricted resources are 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.

**Definition of Library Funds:**

- The **GENERAL FUND** is the general operating fund of the Sugar Grove Public Library District. The General Fund is supported primarily by the property tax levy. Tax bills are payable to the library in two installments on or about June 1 and September 1. In order to meet the cash flow needs of the library during the fiscal year, the target General Fund balance at the end of each fiscal year should equal at least six months of the following year's anticipated operating expenses, and not more than 12 months. Excess funds remaining may be transferred to the Special Reserve Fund.
- The **SPECIAL RESERVE FUND** is a Capital Projects Fund and is funded by transfers of excess fund balances from the General Fund. The fund balance is legally restricted to expenditures for building additions or repairs in accordance with a Special Reserve Plan. The fund balance in the Special Reserve Fund should be maintained at a level which, taking into account future anticipated contributions, will be sufficient to pay when needed the future capital costs of maintaining the Library in accordance with the Special Reserve Plan.

**Monitoring Targets**

The Executive Director in conjunction with the Library Board of Trustees will monitor revenue collections, expenditures and availability of cash by reviewing monthly financial reports. The Executive Director shall advise the Library Board of Trustees whenever revenue projections suggest that revenue will fall short of expectations, expenditures exceed budget or if for any reason fund balance target(s) may not be met by the end of the fiscal year. In this event, the Executive Director shall establish and present to the Library Board of Trustees a plan for

## Sugar Grove Public Library District

achieving or restoring fund balances to the levels required by this policy. The plan may include any or all of the following actions:

- Incorporate reasonably anticipated increases in revenues;
- Review expenses with management staff;
- Reduce timing and amount of capital expenditures for construction and development;
- Reduce operating expenditures where appropriate, maintaining priorities established by the Library Board of Trustees;
- Present to the Library Board of Trustees a plan for meeting other expense reduction and expenditure control options, including those that might modify goals or directions previously established by the Library Board of Trustees.
- Achieve fund balance goals within up to four years if needed to avoid unnecessary disruption to Library operations.

The Library Director shall maintain a projection of expected future revenues, expenditures and fund balances. If the projection indicates that fund balance targets may not be met in future years, the Library Director will advise the Library Board of Trustees and present a plan to adjust the operations of the Library in order to conform to the targets.

### GASB No. 54 Definitions:

- *Nonspendable 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.

### **Annual Review:**

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