

POLICY 710 FUND BALANCES

1. Purpose and Scope

The Lisle Library District (LLD) is committed to the responsible accounting for all public funds. The purpose of this policy is to provide financial stability, cash flow for operations, and the maintenance of adequate fund balances to mitigate future risks and assure that the District will be able to respond to emergencies, revenue shortfalls, and unexpected expenditures with fiscal strength.

Policy 710 establishes minimum levels and target range at which the projected year-end fund balances should be maintained.

Fiscal sustainability is a priority, as is saving for future needs. Adequate fund balance levels are crucial to long-term financial planning.

This policy shall be reviewed annually.

2. Classifications

The following fund balance classifications, as established by GASB (Governmental Accounting Standards Board), depict spending constraints, from the most restrictive to the least:

- a. Non-spendable fund balance: amounts that are not in a spendable form or are required to be maintained intact.¹
- b. Restricted fund balance: amounts constrained to specific purposes by their providers through constitutional provisions, or by enabling legislation.²
- c. Committed fund balance: amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint. Formal action to commit fund balance must occur before the end of a fiscal year.³
- d. Assigned fund balance: amounts a government intends to use for a specific purpose.⁴
- e. Unassigned fund balance: amounts that are available for any purpose; these amounts are reported only in the General/Corporate Fund.⁵

¹ Non-Spendable examples: prepaid expenses, land/property, Working Cash Fund

² Restricted examples: .02 Building & Maintenance, IMRF, & FICA Funds

³ Committed example: the LLD does not currently have funds categorized as "Committed"

⁴ Assigned example: Special Reserve Fund

⁵ Unassigned example: General/Corporate Fund

3. Corporate Fund

The Corporate Fund is the general operating fund of the Library. Expenditures from this fund include, but are not limited to, personnel (salaries/benefits), maintenance, utilities, materials (ex: books/DVDs/online resources), insurance, equipment, and programs.

The Corporate Fund should represent no less than six months of operating expenditures and may be maintained at a level representing up to twelve months of operating expenditures. Balances above 6 months, at fiscal year-end, may be transferred to the Special Reserve Fund via Board ordinance.

4. Other Revenue Funds

Other revenue sources legally restricted for special purposes include, IMRF (Illinois Municipal Retirement Fund), FICA (Federal Insurance Contributions Act), .02 Building and Maintenance (levy ceased in 2018), Working Cash, and Special Reserve.

Each fund⁶ is documented via line item on the District's annual property tax levy with the exception of the Working Cash Fund (the LLD does not appropriate for Working Cash funds).

The balance of such funds should represent no less than three months of budgeted expenditures for the specified purpose.

5. Special Reserve Fund

The Special Reserve Fund is a restricted fund utilized for capital outlays including the maintenance, acquisition, construction, or improvement of capital facilities. This fund is also to provide for emergency capital expenditures. The LLD does not levy for Special Reserve funds. A Special Reserve Fund Ordinance is statutorily required to accumulate and set apart reserve funds.

All monies in the Special Reserve Fund are dedicated to the furtherance of projects identified within Special Reserve Fund Ordinance categories. The Special Reserve Fund Ordinance must include provision for emergency capital expenditures. This ordinance may be amended as circumstances may require.

⁶ The LLD appropriates for the Special Reserve Fund, but does not levy for Special Reserve funds.

6. Monitoring Targets

The Library's Director, Finance Director, and Treasurer of the LLD Board of Trustees, shall monitor revenue collection, expenditures, and availability of cash. This is accomplished via reviewing monthly financial reports and the annual review of a cash flow forecast.

The Director shall apprise the Board of Trustees when revenues or expenditures show significant variances from LLD financial expectations/goals.

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