

FUND BALANCE POLICY

TFML Policy No. 25

A Fund Balance Policy establishes a minimum level (target range) at which the projected end-of-year fund balances should be maintained. This policy is established to provide financial stability, cash flow for operations, and maintenance of an adequate fund balance to ensure that the Thomas Ford Memorial Library will be able to respond to emergencies (e.g., revenue shortfalls, unexpected expenditures) with fiscal strength.

It is possible that unexpected situations may cause the Library to fall below the minimum level, at which point steps will be followed, as outlined in this Policy under "Monitoring Targets" (Section 25.3), to correct the deficiency.

25.1 Definitions (*Government Accounting Standards Board Statement 54*)

25.11 *Non-spendable Fund Balance*- Assets that are not in a spendable form (such as inventory) or are required to be maintained intact (e.g. the legal restrictions placed on the corpus of the Graham Fund).

25.12 *Unrestricted Fund Balance*- The total of the committed, assigned, and unassigned fund balances.

25.13 *Restricted Fund Balance*- The portion of a fund that consists of amounts that are subject to externally enforceable legal restrictions or are restricted through legislation adopted by the Library Board.

25.14 *Committed Fund Balance*- The portion of a fund that consists of amounts that are subject to a self-imposed constraint or limitation placed there by formal action of the Library Board of Trustees. Formal action to commit a fund balance must occur prior to the end of the fiscal year. Modification or removal of the constraint/limitation may only occur through formal action by the Library Board.

25.15 *Assigned Fund Balance*- The portion of a fund that the Library Board *intends* to use for a specific purpose. Intent may be expressed by the Library Board or may be delegated to the Library Director.

25.16 *Unassigned Fund Balance*- That portion of a fund that is available for any purpose. These amounts are reported only in the Library Operating Fund.

25.2 Fund Targets

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

25.22 Library Operating Fund

25.221 Purpose: The Library Operating Fund is the general operating fund of the Thomas Ford Memorial Library (TFML). The Fund is used to account for administrative, Library, and all financial resources except those accounted for and reported in another fund.

25.222 Financing: This fund is financed through the general tax levy. Included in this fund are the levies for the Illinois Municipal Retirement Fund (pension), Social Security, and Tort Liability. In addition, fees, gifts, grants, and other revenue from outside sources are also included in this fund.

25.223 Fund Balance Target: Unrestricted fund balance targets should represent no less than three (3) months and no more than six (6) months of operating expenditures. Balances above the maximum or at the end of the fiscal year may be transferred to other funds.

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

25.231 *Building Maintenance Fund*

25.2311 Purpose: A restricted fund established to account for expenditures such as maintenance, repairs, and alterations of the Library building and grounds as well as the purchase of equipment.

25.2312 Financing: The annual levy for this fund is equal to .02% of the value of all taxable property in the Village as equalized or assessed by the Cook County Assessor's Office.

25.2313 Fund Balance Target: The target for this fund is no less than three (3) months and no more than six (6) months of operating expenditures based on the average of actual expenditures from the three (3) most recently completed fiscal years.

25.232 **Graham Fund**

25.2321 Purpose: A fund established in 1999 with proceeds from a bequest from the estate of Earl and Naomi Graham to be used in accordance with their wishes.

25.2322 Financing: The original balance was based upon proceeds from the estate with continuing financing from interest earned on the fund balance.

25.2323 Fund Balance Target: Use of this fund is restricted to the interest earned on the principal as outlined in TFML Policy #15, The Graham Fund Policy.

25.233 **Timber Trails Fund**

25.2331 Purpose: This fund was established in 2006 with the Impact Fee received from Timber Trail Development.

25.2332 Financing: The original balance was based upon the impact fee received from Timber Trails Development with continuing financing from interest earned on the fund balance.

25.2333 Fund Balance Target: Use of this fund is governed by TFML Policy #21, the Timber Trails Policy.

25.24 **Capital Project Funds** Capital Project Funds are used to account for and report financial resources for capital maintenance and repair, construction, and/or development.

25.241 *Capital Reserve Fund*- A fund established to provide monies for Library capital projects. Revenues are based on transfers from the Library Operating Fund at the end of the fiscal year, following the audit. Interest earned on the fund remains with the fund. The fund balance is evaluated when reviewing the **Library's Capital Plan**. Increases and decreases in the fund balance are associated with the specific projects planned.

25.242 To meet the requirements of the 2015-2025 Capital Plan adopted by the Board at its January 2015 meeting, monies sufficient to fund repairs and expenses during the respective time periods (past year's expenses not experienced and the current year's projected expenses) will be accumulated each year with the intent of creating a balance in the Fund adequate to pay projected costs as they come due.

25.25 **Debt Service Funds** Debt Service Funds are established to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

25.251 *Debt Service Fund*- A fund established for expenditures related to the payment of principal and interest on bonds, promissory notes, or other monetary obligations issued on the Library's behalf by the Village of Western Springs. The Library levies or commits an amount that approximates the principal and interest expected to be paid during the fiscal year. Financing is supported via property taxes. The fund balance is fully restricted for debt service; however, any fund balance remaining once all financial obligations have been satisfied may be transferred to the Library's Capital Reserve Fund.

25.3 **Monitoring Targets** The Library Director in conjunction with the TFML Board of Trustees will monitor revenue collections, expenditures, fund balances, and performance of investments by reviewing monthly financial reports. The Library Director shall advise the Board whenever projections suggest that revenue will fall short of expectations, unexpected expenditures will exceed the budget, or fund targets established by policy will not be met by year's end. Any action required or variations to this Policy, whether due to an emergency or a change in the Library's finances, will be voted on by the Library Board at a regular Board meeting or one convened specifically to address the issues at hand.

In these instances, the Library Director will:

- Review expenses with Department Heads
- Reduce operating expenditures where appropriate, while maintaining the adopted budget goals
- Present the Board with other expense reduction and expenditure control options, including those that might modify the goals established in the adopted budget
- Recommend fund transfers that may be required to meet the goals of this Policy

25.4 **Annual Review** Compliance with the provisions of the Policy shall be reviewed as part of the Library's annual budget process.

Adopted: October 22, 2013

Revised: April 28, 2015

Reviewed: August 28, 2019

Reviewed: April 25, 2023