**Policy 710**

**Fund Balances**

**Purpose**

This Fund Balance Policy establishes a minimum level and target range at which the projected year-end fund balances should be maintained. 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.

It is the policy of the Lisle Library District (LLD) to support fiscal sustainability as its first priority, while also building funds for future needs. Adequate fund balance levels are crucial to long-term financial planning.

1. **Definitions**

Fund balances are composed of three primary categories: non-spendable, restricted and unrestricted. Some funds include both restricted and unrestricted (committed, assigned and unassigned) funds. The District assumes that the order of spending fund balances is as follows: restricted, committed, assigned, and unassigned**.**

1. **Restricted fund balances:** net assets subject to external enforceable legal restrictions.
2. **Committed fund balances:** net assets with self-imposed constraints or limitations approved by Ordinance or action of the Board of Trustees. Modification or removal of the constraint/limitation must follow the same form of action that was used to commit the fund balance.
3. **Assigned fund balances:** net assets with self-imposed constraints based on the intent to use the fund balance for a specific purpose. Intent may be denoted by the Board of Trustees; authority to denote intent for assigned fund balances may be delegated to the LLD Director.
4. **Unassigned fund balances**: available expendable financial resources that are not restricted, committed or assigned and that are not the object of a tentative management plan.
5. **Fund Balance Levels**

In establishing the Lisle Library District’s policy for unassigned fund balance/net asset levels, the Board considered the following factors:

1. The predictability of the District’s revenues, including the likelihood of unpredictable fluctuations in these revenues, and the volatility of its operating expenditures.
2. The District’s potential exposure to significant one-time outlays including disasters, immediate capital needs, changes in tax base, and other possible events.
3. The potential drain upon Corporate Fund resources from other funds, as well as the availability of resources in other funds.
4. Liquidity of financial resources.
5. Commitments and assignments; the Board may wish to maintain higher levels of unassigned fund balance to compensate for any portion of the Corporate Fund balance already committed or assigned by the District for a specific purpose.
6. **Corporate Fund**

The Corporate Fund is the general operating fund of the Lisle Library District. It is used to account for all administrative, maintenance, and other library expenditures and all financial resources except for those expenditures which are specifically allocated to and accounted for in a separately constituted fund.

Unassigned fund balance targets should represent no less than six (6) months of operating expenditures and may be maintained at a level representing up to twelve (12) months of operating expenditures. Audited balances above 6 months at fiscal year-end may be transferred to the Special Reserve Fund or other purpose as allocated by the Board and allowed by law on an annual basis by a Board resolution.

1. **Other Revenue Funds**

Separate revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Such funds include IMRF, FICA, Building Maintenance, Working Cash, Special Reserve, and any other fund whichthe Board might have cause to establish at a future date. With the exception of the Working Cash Fund, revenues for each fund are provided by a specific line item in the District’s annual property tax levy and are legally restricted to the stated purpose of this fund. The balance for such revenue funds will be targeted at a minimum level of three (3) months of budgeted expenditures for the specified purpose.

1. **Special Reserve Fund**

The Special Reserve Fund is established to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays including the maintenance, acquisition, construction or improvement of capital facilities. The Special Reserve Fund balance is reviewed in developing the Special Reserve Fund Ordinance, and shall be maintained at a level appropriate for the last Special Reserve Fund Ordinance adopted by the LLD Board. All funds in the Special Reserve Fund are dedicated to the furtherance of projects identified in the Special Reserve Fund Ordinance. The Special Reserve Fund Ordinance must include provision for emergency capital expenditures.

1. **Monitoring Targets**

The Library’s Director and Finance Director, in conjunction with the Treasurer of the Lisle Library District Board of Trustees, will monitor revenue collection, expenditures and availability of cash. This will be done through the review of monthly financial reports and the annual review of a cash flow forecast. The Director will advise the Board of Trustees whenever revenue projections suggest that revenue will fall short of expectations, or when unexpected expenditures exceed budget, or if for any other reason fund target(s) may not be met by the end of the fiscal year. In such an event, the Board of Trustees may instruct the Director to take any or all of the following actions: review expenditures with the Library Leadership Team; reduce capital expenditures; reduce operating expenditures where prudent, while maintaining priorities established by the LLD Board; and present to the LLD Board a full account of expense reduction and control options, including those that might modify goals and priorities previously established by the Board.

Adopted 10/08/14