



Policy 2005: Fund Balance

Adopted: *September 25, 2019*

Reviewed/Revised: September 22, 2021; January 25, 2023

I. Purpose

The Algonquin Area Public Library District (AAPLD) Board of Trustees is committed to the responsible accounting for all public funds, and has approved this Fund Balance Policy that establishes a minimum level at which the projected year-end fund balance of each fund should be maintained. This policy is established to provide financial stability, cash flow for operation, and the assurance that the District will be able to respond to emergencies with fiscal strength. It is essential to maintain adequate fund balances to mitigate current and future risks and to ensure a stable tax levy. Fund balance levels are also a crucial consideration in long-term financial planning.

II. Definitions

Fund balance refers to the difference between assets and liabilities in governmental funds. The fund balance serves as a measure of the financial resources available to a government agency.

The five categories of fund balance, as established by GASB Statement No. 54 are as follows:

1. **Nonspendable:** amounts that cannot be spent because they are not in spendable form (e.g., principle portion of a permanent fund, inventory)
2. **Restricted:** amounts that are spent subject to externally enforceable restrictions (including grant restrictions, law, or regulations) or are restricted through legislation adopted by the Library Board
3. **Committed:** amounts that are designated for specific purposes by formal action of the Library Board (The Library Board may reverse this action if it is later determined the funds are needed for another purpose.)
4. **Assigned:** amounts management (i.e. Executive Director) intends to use for specific purposes
5. **Unassigned:** amounts available for any purpose that cannot be classified into one of the other four categories

The total of the committed, assigned, and unassigned fund balances is the unrestricted fund balance.

The District will spend the most restricted funds before the less restricted, in the following order: restricted, committed, assigned, unassigned.



III. Funds

Unrestricted Funds

Library Operating Fund/Corporate Fund

The Corporate Fund is the general operating fund of the District and is used to establish, maintain, and support the public libraries within the District. This fund covers most general library expenditures and can be spent for any proper library purpose. Revenue is provided through the general tax levy, personal property replacement tax, grants, and other revenue streams. Unrestricted fund balance targets should represent no less than 3 months and no more than 12 months of operating expenditures. Balances above the maximum at fiscal year-end may be transferred to other funds or the Special Reserve Fund by Board resolution.

Restricted Funds

At fiscal year-end, restricted fund balances, excluding the Special Reserve Fund and Debt Service Fund, will be targeted at a minimum level of 10% of annual budget expenditures and adjusted annually with the adoption of the annual budget by the Library Board.

IMRF Fund

This fund, a sub-fund of the Corporate Fund, accounts for expenditures resulting from the mandatory participation in the Illinois Municipal Retirement Fund (IMRF). Revenue is provided through a specific line item in the annual property tax levy sufficient to pay contributions on behalf of the AAPLD employees. Fund balances are legally restricted to the purpose of this fund and cannot be transferred to another fund.

FICA Fund (Social Security/Medicare)

This fund, a sub-fund of the Corporate Fund, accounts for expenditures resulting for payroll taxes required by the Federal Insurance Contributions Act. Revenue is provided through a specific line item in the annual property tax levy sufficient to pay contributions on behalf of the AAPLD employees. Fund balances are legally restricted to the purpose of this fund and cannot be transferred to another fund.

Building & Maintenance Fund

This fund, a sub-fund of the Corporate Fund, accounts for maintenance, repair, or alterations to physical facilities or equipment; purchase of buildings, sites, furniture, or equipment; or to construct or rent building for library purposes. Revenue is provided through a specific line item in the property tax levy with a maximum rate of .02% of the value of all the taxable property in the District. Fund balances are legally restricted to the purpose of this fund and cannot be transferred to another fund.

Liability Fund

This fund, a sub-fund of the Corporate Fund, accounts for costs associated with risk management and protecting the Library and its employees against liability, property damage, or loss. Revenue is provided through a specific line item in the property tax levy. Fund balances are legally restricted to the purpose of this fund and cannot be transferred to another fund.



Audit Fund

This fund, a sub-fund of the Corporate Fund, accounts for costs associated with the completion of the statutorily mandated annual financial compliance audit. Revenue is provided through a specific line item in the property tax levy. Fund balances are legally restricted to the purpose of this fund and cannot be transferred to another fund.

Special Reserve Fund

This fund is maintained in accordance with the last adopted Special Reserve Fund Ordinance, and generally accounts for costs associated with capital maintenance and repair, construction, and/or development. Revenue is provided by transfer from the Corporate Fund by Board resolution. No specific minimum or maximum is established for the Special Reserve Fund, though the balance is evaluated annually and is maintained at a level sufficient to support upcoming planned projects as noted in the Special Reserve Fund Ordinance.

Debt Service Fund

This fund is established for expenditures related to the payment of principle and interest on bonds issued by the District. Any balance in this fund is fully restricted for debt service; however, any fund balance remaining once issued bonds are fully retired may be transferred to capital or retained for future debt payments.

IV. Monitoring Targets

The Executive Director, in conjunction with the Algonquin Area Public Library Board of Trustees, will monitor revenue collections, expenditures, and availability of cash by reviewing monthly financial statements. The Executive Director shall advise the Board whenever revenue projections suggest that revenue will fall short of expectations, unexpected expenditures will exceed budget, or fund targets may not be met by the end of the fiscal year.

Fund balances may occasionally fall outside of the target ranges because of special projects, construction, emergencies, other extenuating circumstances, and/or levy restrictions.