



## Fund Balance

### Purpose

The Fund Balance Policy provides guidelines for preparing and managing the Library's annual budget to ensure that sufficient resources are maintained for unanticipated expenditures or revenue shortfalls. It also preserves financial flexibility throughout the fiscal year, enabling adjustments to funding approved as part of the annual budget.

### Philosophy

The Nippersink Public Library District ("Library") supports long-term financial strategies that prioritize fiscal sustainability and prepare for future growth. Maintaining adequate levels of fund balance and net assets is essential to mitigate risk, stabilize tax rates, and sustain high-quality service delivery.

Credit-rating agencies monitor these levels—particularly the unassigned fund balance in the General Fund—to evaluate the Library's overall financial stability and creditworthiness.

### Fund Balance Categories

The Library's fund balance shall include the following categories:

#### 1. Non-spendable Fund Balance

- Represents funds not available for expenditure due to legal or practical restrictions (e.g., inventories, prepaid items, land held for resale, or endowments).

#### 2. Restricted Fund Balance

- Represents funds legally restricted to specific uses (e.g., grantor stipulations, donor conditions, or restricted property-tax levies).

#### 3. Unrestricted Fund Balance

- Composed of the following components:
  - a. Committed Fund Balance – Funds constrained by formal Board action; the same action is required to remove or modify the commitment.
  - b. Assigned Fund Balance – Funds intended for a specific purpose but not formally committed by the Board.
  - c. Unassigned Fund Balance – Funds available for expenditure and not otherwise designated.

### Spending Hierarchy

When an expenditure is incurred for purposes for which multiple categories of fund balance are available, the Library will apply resources in the following order: Restricted, Committed, Assigned, Unassigned.



### **Special Revenue Funds**

The Library maintains two special revenue funds derived from specific line items in the annual property-tax levy:

- **Building Fund** – Used for ongoing repairs, maintenance, and improvements to buildings and grounds, including necessary equipment purchases.
- **IMRF Fund** – Used for expenditures related to the Library’s participation in the Illinois Municipal Retirement Fund.

Funds are held in reserve to minimize the need for short-term borrowing due to the timing of tax-levy distributions.

### **General Fund Reserve Policy**

The Board will seek to maintain a General Fund reserve balance sufficient to continue Library operations for three to six months. At the end of each fiscal year (June 30), the Library Director and the Board will project the minimum amount needed to operate the Library for six months and assess the fund balance.

- If the General Fund balance falls below three months of operating expenses, any unexpended balance from the previous year’s Library tax revenue will be retained in the General Fund to reach the required level.
- If the General Fund balance exceeds six months of operating expenses, the Board may transfer excess funds to the Special Reserve Fund, considering anticipated capital expenditures for the upcoming fiscal year (75 ILCS 16/40-50).

### **Unforeseen Reductions in Funding**

In the event of a reduction in available funding, priority shall be given to maintaining essential operations that support the Library’s mission. While the Library aims to maintain a General Fund balance of at least three months, unanticipated cost increases may temporarily prevent this target from being met.