



## **FUND BALANCE/NET ASSET POLICY**

### **Purpose**

A Fund Balance/Net Asset policy establishes a minimum level at which the projected end-of-year fund balance/net assets should be maintained. The purpose of such a policy is to provide financial stability, cash flow for operations, and the assurance that the Library will be able to respond to emergencies with fiscal strength.

It is the Glencoe Public Library's philosophy to support long-term financial strategies, where fiscal sustainability is a priority while also building funds for future needs. Adequate fund balance/net asset levels are crucial in long-term financial planning.

### **Fund Balance Levels for the Glencoe Public Library:**

#### **A. General Fund – Invested Funds Reserved for Operations**

Defined as “*Reserved for Operations*,” this *Committed Fund Balance* represents an amount equal to 25% of the current annual fiscal year's budget total. The Library Board of Trustees established this category to be held in reserve each year in the event the receipt of tax money from Cook County was delayed. This is the major fund and the general operating fund of the Glencoe Public Library. It is used to account for all activities that are not accounted for in another fund.

#### **B. Restricted Funds – Illinois Municipal Retirement Fund (IMRF) & Social Security Funds and the Restricted Gift Fund**

These funds are subject to external enforceable legal restrictions. When tax money is received into the Library's MaxSafe money market deposit account, it is deposited into one of three accounts: the General Fund, the IMRF/Social Security Fund or the Restricted Gifts Fund.

#### **C. Unassigned Fund Balance**

Referred to as “Balance not Reserved” or available expendable resources.

### **Other Considerations**

In establishing the above policies for unrestricted fund balance/net asset levels, the Glencoe Public Library considered the following factors:

- The predictability of the Library's revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operation expenditures are highly volatile);
- The Library's perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
- The potential drain upon General Fund resources from other funds as well as the availability of resources in other funds (i.e., deficits in other funds may require a higher level of unrestricted fund balance be maintained in the General Fund, just as, the

availability of resources in other funds may reduce the amount of unrestricted fund balance needed in the General Fund);

- Liquidity (i.e., a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained); and
- Commitments and assignments (i.e., the Library may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the Library for a specific purpose).

If any of the above factors change, the Library should readdress current unrestricted fund balance/net asset levels to ensure amounts are appropriate.

**Future Action**

The Finance Committee of the Library Board shall review estimated fund balances and net assets annually with the Executive Director, determine adequacy of those amounts, and present recommendations to the Board for approval.

Adopted	February 18, 2015
Reviewed	July 11, 2018
Revised	April 21, 2021