

WOODRIDGE PUBLIC LIBRARY FUND BALANCE/NET POSITION POLICY

Purpose

A Fund Balance/Net Position Policy establishes a minimum level which the projected end-of-year fund balance/net position must observe in order to meet legal guidelines imposed on governmental funds. 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 Woodridge Public Library's philosophy to support fiscal sustainability as our first priority while also building funds for future needs. Adequate fund balance/net position levels are crucial in long-term financial planning.

Definitions:

- Fund balances are composed of three primary categories: non-spendable, restricted and unrestricted. (Complete definitions are included in an Appendix.)
- Some funds include both restricted and unrestricted (committed, assigned and unassigned) monies.
- The Library assumes that the order of spending fund balances is as follows: restricted, committed, assigned, unassigned. (See Appendix for definitions)

Minimum Unrestricted Fund Balance Levels

General Fund

Purpose – This is the major fund and the general operating fund of the Government (in this case, the Woodridge Public Library.) It is used to account for all activities that are not accounted for in another fund.

Fund Balance – Unrestricted fund balance targets should represent 40-60% of operating expenditures. Balances above the maximum are transferred annually to the Building and Site Fund through Board resolution.

Capital Projects Fund

Purpose – This fund is established to account for and report financial resources that are *restricted, committed, or assigned* to expenditure for capital outlays including the acquisition, construction, maintenance or improvement of capital facilities. At the Woodridge Public Library, this fund is known as the Building and Site Reserve Fund. The Library will fund the Building and Site Fund through transfers from the General Fund for designated capital projects. The goal of the Woodridge Public Library Board is to maintain an adequate reserve in this fund for emergency capital expenditures.

Other Considerations

In establishing the above policies for unrestricted fund balance/net position levels, the Woodridge 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 operating 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 position levels to ensure amounts are appropriate.

This policy will be reviewed every three years.

Approved by Board of Trustees August 17, 2016

Definitions

- 1) **Non-spendable Fund Balance** –that portion of a Library’s fund balance that is not available to be spent either in the short-term or long-term or through legal restrictions (e.g., inventories, prepaid items, land held for resale and endowments)
- 2) **Restricted Fund Balance**– that portion of a Library’s fund balance that is subject to external enforceable legal restrictions (e.g., grantor, contributor and property tax levies).
- 3) **Unrestricted Fund Balance** – that portion that is made up of three components:
 - A) **Committed Fund Balance** – the portion of a Government Fund’s fund balance with self-imposed constraints or limitations that have been placed at the highest level of decision-making through formal Board action; spending authority may be by ordinance or resolution and any modification or removal of the constraint must be by the same action.
 - B) **Assigned Fund Balance** – the portion of Government Fund’s fund balance to denote an intended use of resources but with no formal Board action; spending authority may be delegated to members of the Library management team by the Board.
 - C) **Unassigned Fund Balance** – available expendable financial resources in a Library Fund that is not the object of tentative management plan.