

TITLE: Fund Balance Policy
POLICY NUMBER: 450
EFFECTIVE DATE: 07/21/2023
REVIEW DATE: June 2025
SUPERSEDES: None



Article 1: Purpose

Waukegan Public Library remains vigilant to guard against unanticipated events that could adversely affect its financial condition and jeopardize the continuation of necessary public services. This policy will ensure that adequate fund balances and reserves are maintained to:

- Enable realistic long-term planning and budget development
- Promote clear communication with the public on financial matters
- Provide sufficient cash flow for daily financial needs,
- Offset significant economic downturns or revenue shortfalls,
- Provide funds for unforeseen expenditures related to emergencies, and
- Maintain investment grade bond ratings.

Fund Balance Classifications:

- Non-spendable Fund Balance – Assets that are not in a spendable form (prepaids) or are required to be maintained intact (the principal of a permanent fund).
- Restricted Fund Balance – The portion of a fund subject to externally enforceable legal restrictions or restricted through ordinances adopted by the Library Board.
- Unrestricted Fund Balance – The total of the Committed, Assigned and Unassigned Fund Balances
 - Committed Fund Balance – Amounts that are subject to a self-imposed limitation by formal action of the Board. Modification or removal of the limitation may only occur through formal action by the Board.
 - Assigned Fund Balance – Amounts that the Board intends to use for a specific purpose.
 - Unassigned Fund Balance – Amounts available for any purpose.

Funds & Targets:

1. General Fund – Funds used for operating the library. Total unrestricted fund balances (committed, assigned and unassigned) in the General Fund should represent no less than three (3) and no more than twelve (12) months of operating expenses. The Board will vote annually on any end-of-year transfers to other funds.
2. Capital Project Funds – Funds used for capital maintenance and repair, construction and/or development. Increases and decreases in the fund balance are associated with the specific projects planned: therefore, no target range is established for this fund.

3. Debt Service Funds – Funds that are used to account for and report financial resources restricted, committed, or assigned to expenditure for principal and interest. The fund balance is fully restricted to debt service; however, any fund balance remaining once all financial obligations have been satisfied may be transferred to the Capital Projects Fund.

4. Permanent Funds – Funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used to support library purposes.

5. Gift Fund – Funds generated from library-sponsored fundraisers will be designated for smaller, one-time projects that fall under the public bidding threshold and as determined by the Library Board.

Encumbrance reporting

Encumbering amounts for specific purposes for which resources have already been restricted, committed, or assigned should not result in separate display of encumbered amounts.

Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54.

Prioritization of fund balance use

When an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, it shall be the policy of Waukegan Public Library to consider restricted amounts to have been reduced first. When expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of Waukegan Public Library that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum committed fund balance for cash flow

Waukegan Public Library will maintain a minimum committed fund balance in its General Fund sufficient to provide operating cash flow for the governmental pooled funds from December through May of each year. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts.

Replenishing deficiencies

When fund balance falls below the minimum necessary to ensure sufficient cash flow for operations, the library will replenish shortages/deficiencies by either reducing expenditures and/or increasing fees for services or pursuing other funding sources as soon as reasonably possible. The strategies and time period to accomplish the replenishment shall be recommended by the Finance & Operations Director and Executive Director for review by the Committee of the Whole and approval by the Board.

Surplus fund balance

Should there be a surplus unassigned fund balance, the library will use such fund balance

surpluses for one-time expenditures that are nonrecurring in nature or to supplement the operational transfers to the Capital Projects Fund.