



# ZION-BENTON PUBLIC LIBRARY

## Fund Balance Policy

### Purpose

This policy is established to provide financial stability, cash flow for operations, and the assurance that the District will be able to respond to emergencies with fiscal strength.

Zion-Benton Public Library District is committed to responsible accounting of all public funds and that those funds are expended on providing library services to the community. In a given fiscal year, the Board makes every effort to use funds as budgeted and any excess funds will be classified in the manner determined by this policy.

Fund Balances (revenues minus expenditures) will be classified into one of five categories as described below. Although not inclusive, Fund Balances may be used for cash flow requirements, projected building and grounds maintenance and improvement needs, projected technology requirements, special projects and other purposes to insure a fully operational library. The division of these funds will be decided upon and approved by the Board as part of the annual budget process.

### Definitions

Generally accepted accounting principles provides for five types of fund balance. Following is a brief definition of each type:

- a) Non-spendable Fund Balance: Resources that cannot be spent because they are not in spendable form, such as inventory and prepaid items. Resources may also be non-spendable because of legal or contractual requirements.
- b) Restricted Fund Balance: Resources that are subject to constraints by external parties or laws.
- c) Committed Fund Balance: Formal constraints or limitations placed on resources by the highest level of decision-making authority at the government. In the Library's case, this would be the Board of Library Trustees.
- d) Assigned Fund Balance: The portion of net position that is set aside (earmarked) for particular purposes. This differs from Committed Fund Balance in that it may have been established in a less formal method, and the authority to assign the resources may have been delegated to another individual, such as the Director.
- e) Unassigned Fund Balance: Net resources that do not fall into one or more preceding four fund balance types. There are no formal or informal restrictions, commitments, or assignments to this portion of fund balance.



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It is recommended that from the General Fund Balance, the Library will set aside a minimum fund balance (reserves) of 25-75% of the previous year's total final actual expenditures as stated in the Audit Report.

The Library will spend the most restrictive fund balances first and in the following order: 1. Restricted, 2. Committed, 3. Assigned, 4. Unassigned. Assigned fund balances can be designated by the Library Director, within budgetary guidelines established by the Board. Unassigned fund balances are available and expendable for any library purpose.

## Fund Classifications

**General Fund:** This fund is used for all financial resources not accounted for and reported in another fund classification.

**Special Revenue Funds:** These funds account for the proceeds of special revenue sources which are restricted or committed to expenditures for specific purposes other than debt service or capital projects, including:

**Audit** funds account for expenditures related to the statutorily mandated annual financial compliance audit. Revenues are obtained by a specific line item on the annual property tax levy and their use is restricted to the purpose of this fund.

**Building and Site** funds account for expenditures related to the purchase of sites and buildings, construction and equipment of buildings, and maintenance, repairs, and alterations of library buildings and equipment. Revenues are obtained by a specific line item on the annual property tax levy and their use is restricted to the purpose of this fund.

**IMRF** funds account for the Library's participation in the Illinois Municipal Retirement Fund. Revenues are obtained by a specific line item on the annual property tax levy and their use is restricted to the purpose of this fund.

**Liability Insurance** funds account for the insurance expenditures including unemployment compensation and worker's compensation insurance, as well as the Library's risk management and loss control activities. Revenues are obtained by a specific line item on the annual property tax levy and their use is restricted to the purpose of this fund.

**Social Security** funds account for the Library's compliance with the Federal Insurance Contributions Act (FICA). Revenues are obtained by a specific line item on the annual property tax levy and their use is restricted to the purpose of this fund.

**Special Reserve** funds is money set aside through Ordinance for specific, defined future needs like major repairs, infrastructure projects, asset replacement, or emergencies, ensuring financial stability and preparedness for planned or unexpected costs.



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## **Monitoring Targets**

The Library Director in conjunction with the Zion-Benton Public Library District Board of Trustees will monitor revenue collections, expenditures, and availability of cash by reviewing monthly financial reports. The Library Director shall advise the Board whenever revenue projections suggest that revenue will fall short of expectations, unexpected expenditures will exceed budget, or fund target(s) may not be met by the end of the fiscal year. Fund balances may fall occasionally outside of the target ranges because of special projects, construction, emergencies, other extenuating circumstances, and/or levy restrictions.

Adopted by the Board of Trustees: November 24, 2015, Revised January 28, 2020,  
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