

# Hinsdale Public Library

## Fund Balance Policy

### **Purpose**

HPL's Fund Balance Policy establishes a range within which the year-end balance for certain library funds should be maintained. This policy is designed to provide financial stability, cash flow for operations, and the assurance that HPL will be able to respond to emergencies with fiscal strength.

### **Funds**

HPL maintains two governmental funds. The General Fund (or, Operating Fund) is used to account for HPL's general activities not accounted for in another fund. The Capital Reserve Fund is used to account for resources restricted to capital improvements at HPL.

HPL adopts an annual budget for each of its governmental funds, as well as adopting an annual appropriation.

HPL also receives Restricted Funds through its tax levy, the Illinois Municipal Retirement Fund (IMRF), Social Security funds, which are subject to external enforceable legal restrictions. These funds are managed by HPL's Custodian of Monies, the Finance Director for the Village of Hinsdale.

### **Fund Balance Levels**

A. General Fund – HPL will maintain a year-end General Fund unassigned fund balance no less than six (6) months and no more than nine (9) months of projected operating expenditures for the following fiscal year. Balances above the maximum are transferred annually to the Capital Reserve Fund through Board resolution.

The purpose of this unassigned balance is to:

1. Provide a working cash buffer to fund library operations prior to receipt of tax collections and when property tax collections are delayed.
2. Serve as a funding source for emergencies.

B. Capital Reserve Fund – HPL will maintain a Capital Reserve Fund balance sufficient to meet the projected costs of the repairs and replacements outlined in HPL's Capital and Building Maintenance Plan, as allowed by 75 ILCS 5/5-8. Transfers into this account may exceed annual expenses, allowing HPL to build a reserve to fully fund future projects without incurring debt.

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### Considerations

In establishing the above policies fund balances, HPL considered the following factors:

- The predictability of HPL'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 time of year that payments from Cook and DuPage Counties are received and the possibility of delays in receipt;
- HPL'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.)

If any of the above factors change, HPL will readdress current fund position levels to ensure amounts are appropriate.

Approved and Adopted by the Hinsdale Public Library Board on 01/23/2024