



COLLABORATIVE PLANNING FOR NORTHERN ILLINOIS

## Region 1 Planning Council

Resolution No. 2022-02

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### A RESOLUTION PROVIDING FOR THE ADOPTION OF FUND BALANCE POLICY

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**WHEREAS**, the Region 1 Planning Council Board of Commissioners recognizes the Governmental Accounting Standards Board (GASB) as the authority for best practice in government accounting consistent with Generally Accepted Accounting Principles; and

**WHEREAS**, GASB Standard No. 54 requires government agencies to adopt a policy to classify and report fund types and balances; and

**WHEREAS**, the fund balance policy provides direction and guidance for maintaining prudent levels of financial resources to meet obligations and maintain financial sustainability; and


**WHEREAS**, Region 1 is not intended to operate for profit but to provide cost effective support to its members; and

**WHEREAS**, this policy represents a fiscally sound approach to maintaining an appropriate fund balance level that is neither excessive nor insufficient.

**NOW, THEREFORE, BE IT RESOLVED**, by the Region 1 Planning Council Board of Commissioners, this resolution shall be known as Fund Balance Policy.

Passed and approved this 19<sup>th</sup> day of May, 2022.

**REGION 1 PLANNING COUNCIL – BOARD OF COMMISSIONERS**

By: 

Attest: 



## Fund Balance Board Policy

### 1. Objective

The purpose of this policy is to comply with Governmental Accounting Standards Board (GASB) Statement No. 54, by establishing a minimum required projected end-of-year fund balance with constraints imposed upon the resources reported by the governmental and proprietary funds. This contributes to financial stability, operational cash flow management, and the assurance that the agency will be able to respond to emergencies with fiscal strength.

### 2. Definitions

Fund classifications and definitions herein shall be the same as stated by [GASB 54](#).

### 3. Standard

R1 will steward fiscal resources to meet its obligations and sustain its operations. It is essential to maintain adequate levels of fund balance (net assets) to mitigate current and future risks. Fund balance is a crucial consideration in long-term financial sustainability and to maintain creditworthiness.

Due to the nature of agency funding, cash flow fluctuation cannot be avoided. Therefore, if the projected fiscal year fund balance falls below the desired percentage or amount, a plan should be put into place to restore the balance to appropriate levels.

Some funds are funded by a variety of resources, including both restricted and unrestricted (committed, assigned and unassigned). R1 Planning assumes that the order of spending fund balance is as follows: restricted, committed, assigned, unassigned.

Considerations: In establishing unrestricted fund balance (net asset) targets, the following factors were considered:

- a. Role of agency as a cost-effective source of support to fellow government entities, not intended to operate for profit.
- b. Predictability of 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.)
- c. Perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts.)
- d. 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.)
- e. 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.)
- f. Commitments and assignments (i.e., governments 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 government for a specific purpose.)

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

Minimum Unrestricted Fund Balance Levels

**Governmental Funds**

<b>Fund</b>	<b>Purpose</b>	<b>Fund Balance Target</b>
<b>General Fund</b>	Major, general operating fund used to account for all activities that are not accounted for in another fund.	<b>No less than 30 days of operating expenditures by the close of FY2023.</b>  <i>Balances above the minimum may be transferred to other funds or applied capital projects at the Board's discretion.</i>
<b>Special Revenue Fund(s)</b>  <i>(MPO, Blight, WinGIS, grants)</i>	Accounts for proceeds of specific revenue sources that are committed or legally restricted to expenditures for specified purposes (other than debt service or capital projects.)  Special Revenue funds are provided by a restricted and/or committed revenue source, such as grants, intergovernmental agreement, or membership fees.  Financing may also be received from other charges for services, etc.	<b>A minimum of 8% of annual budgeted expenditures by the close of FY2023.</b>  <i>Adjusted annually with the adoption of the annual budget. Does not include capital, debt service, and transfers.</i>
<b>Debt Service Fund</b>  <i>(None)</i>	Account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest.  The agency transfers in an amount close to the principal and interest that is anticipated to be paid.	<b>Not applicable.</b>  <i>Derived from property taxes; therefore, legally restricted. Any fund balance accumulation should be a maximum the amount of the next principal and interest payment due.</i>
<b>Capital Projects Fund</b>  <i>(None)</i>	Account for resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets, excluding those types of capital related outflows financed by proprietary funds.  Debt financing, grants, or inter-fund transfers are used to finance projects.	<b>Not applicable.</b>

## Proprietary Funds

Fund	Purpose	Fund Balance Target
<p><b>Enterprise Fund</b></p> <p><i>(None)</i></p>	<p>Established to account for and report financial resources at are invested in capital assets, net of related debt, restricted, or unrestricted for future spending related to the fund. The focus of enterprise fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Enterprise funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.</p> <p>Financing – User fees, debt financing, or grants are used to finance operations, capital outlay and improvements, and debt service retirements.</p> <p>Net Assets – Considered invested in capital assets net of related debt (for amounts capitalized as capital assets, less the outstanding debt related to the acquisition of said assets. Restricted net assets relate to bond covenant reserves as outlined in the bond ordinance. Unrestricted net asset targets should represent no less than three months of operating expenses (excluding debt service and capitalized asset expenses).</p>	<p><b>Not applicable.</b></p>
<p><b>Internal Service Fund</b></p> <p><i>(None)</i></p>	<p>Account for and report financial resources that are invested in capital assets, net of related debt, restricted, or unrestricted for future spending related to the fund. The focus of internal service fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or</p>	<p><b>Not applicable.</b></p>

	<p>component units of the Government on a cost-reimbursement basis.</p> <p>Financing – User fees charged to other departments, funds, or component units, or debt financing are used to finance operations, capital outlay and improvements, and debt service retirements.</p> <p>Net Assets – Considered invested in capital assets net of related debt (for amounts capitalized as capital assets, less the outstanding debt related to the acquisition of said assets. Restricted net assets relate to bond covenant reserves as outlined in the bond ordinance. Unrestricted net asset targets should represent appropriate levels given the activity of the fund and the discretion of the Board and management (excluding debt service and capitalized asset expenses).</p>	
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**4. Responsibility and Accountability**

Committed Fund Balance: This self-imposed constraint on spending Committed Fund Balance must be approved by Board resolution. Any modifications or removal of this constraint must use the same action used to commit the fund balance. Formal action to commit fund balance must occur before the end of the fiscal year. The dollar amount of the commitment can be determined after year end.

Assigned Fund Balance: This self-imposed constraint on spending of Assigned Fund Balance is based on intent to use fund balance for a specific purpose. This responsibility is delegated to the Executive Director.

**5. Review Schedule**

Staff will ensure this policy is maintained and approved by the Board on an annual basis.

**6. Prevailing Authority**

[Governmental Accounting Standards Board \(GASB\) Statement No. 54](#)

**7. Internal Cross-Reference**

[Financial Policy](#)

**8. Attachments and Form**

None