



# Operating Standard

**Title:** Fund Balance Calculation

**Number:** A5000.70

**Type:** Administrative

**Responsible:** Vice President of Admin Services

**Related Policies:** B3006 Financial Condition  
A5000 Financial Excellence

**Linked Procedures:** A5000.00...A5000.125

**Related Laws:** 110 ILCS 85/3A-1, SEC Rule 15c2-12

**Related Standards:** GASB Statement No. 54, GFOA Guidance, Moody's Investor Service  
"Scorecard" Rating System 2014

**HLC Criterion:** 5B

## Statement

Calculations for maintenance of fund balances shall be made in conjunction with the preparation of the annual budget.

## Comparing Fund Balances to Target and Response for Variance

### *Operating Funds*

Target fund balance shall be determined by calculating the two-year average annual operating fund expenditure times four (4) for the minimum and eight (8) for the maximum balance. Example: FY2022 end-of-year target threshold would be established using audits from FY2019 & FY2020.

### *Liability, Protection & Settlement (Tort)*

The Local Governmental and Governmental Employees Tort Immunity Act (745 ILCS 10) was created for the purpose of protecting local public entities and public employees from liability arising the operation of the College. The Tort Fund minimum balance threshold shall be calculated by the following formula: Six (6) months of annual expenditures in the Liability, Protection & Settlement Fund. The upper threshold shall be twelve (12) months of annual expenditures. Annual expenditures in the fund are to be calculated using the two-year average (most recently audited) of the annual expenditures in the Tort Immunity Fund.

If the fund is forecasted to fall below the minimum or above the upper threshold by the end of the fiscal year, the tax levy shall be adjusted to restore the fund balance to the range expressed in this policy in no less than two (2) years. If the fund balance is higher than the upper threshold for two (2) contiguous years, the tax levy is to be adjusted to reduce the forecasted fund balance.

*Working Cash*

The Working Cash Fund balance minimum target shall be set at the two-year (most recently audited) average annual operating expenditures with the upper threshold established at six (6) months.

*Capital Projects*

The administration shall strive to maintain a capital projects non-designated (i.e. non-PHS) fund minimum balance of \$500,000. Funds are to be budgeted annually, to maintain this balance. Priority use of these funds will be for equipping the college to deliver instructional programs.

*Other Funds*

All other funds shall maintain a positive or credit balance at year end.

This procedure may be amended from time to time to assure continued compliance with Generally Accepted Accounting Procedures.

<b>Change Log</b>		
<b>Date</b>	<b>Description of Change</b>	<b>Governance Unit</b>
04.05.21	Initial Adoption	VP of Admin Services
06.13.24	Converted to new template	