

Fund Balance Policy

Elmwood Park Public Library

A Fund Balance Policy establishes a minimum level (target range) at which the projected end-of-year fund balances should be maintained. This policy is established to provide financial stability, cash flow for operations, and maintenance of an adequate fund balance to ensure that the Elmwood Park Public Library be able to respond to emergencies (e.g., revenue shortfalls, unexpected expenditures) with fiscal strength.

It is possible that unexpected situations may cause the Library to fall below the minimum level, at which point steps will be followed, as outlined in this Policy under “Monitoring Targets”, to correct the deficiency.

Definitions (*Government Accounting Standards Board Statement 54*)

Non-spendable Fund Balance- Assets that are not in a spendable form (such as inventory) or are required to be maintained intact (e.g. the legal restrictions placed on the corpus of the Graham Fund).

Restricted Fund Balance- The portion of a fund that consists of amounts that are subject to externally enforceable legal restrictions or are restricted through legislation adopted by the Library Board.

Committed Fund Balance- The portion of a fund that consists of amounts that are subject to a self-imposed constraint or limitation placed there by formal action of the Library Board of Trustees. Formal action to commit a fund balance must occur prior to the end of the fiscal year. Modification or removal of the constraint/limitation may only occur through formal action by the Library Board.

Assigned Fund Balance- The portion of a fund that the Library Board *intends* to use for a specific purpose. Intent may be expressed by the Library Board or may be delegated to the Library Director.

Unassigned Fund Balance- That portion of a fund that is available for any purpose and cannot be properly classified in one of the other four categories. These amounts are reported only in the Library Operating Fund.

The total of the committed, assigned, and unassigned fund balances is the unrestricted fund balance.

Funds

The following parameters will be used as part of the budget process to establish targets for the following funds:

1. Library Operating Fund/General Fund

Purpose: The Library Operating Fund is the general operating fund of Elmwood Park Public Library, which consists of the General Fund Money Market account and the General Fund Checking account. The Fund is used to account for Administrative, Library, and all financial resources except those accounted for and reported in another fund.

Financing: This fund is financed through the general tax levy, reimbursements and the library’s general revenue stream, excluding income denoted in Special Revenue Funds (section 2).

Fund Balance Target: Unrestricted fund balance targets should represent no less than three (3) months and no more than six (6) months of operating expenditures. Balances above the maximum or

unexpended funds remaining 90 days after fiscal close may be transferred to the Building Fund per ILCS 75 5/4-15.

2. Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are legally restricted (tax levy) or committed (by the Library Board) to expenditure for specific purposes other than debt service or capital projects.

A. Building Fund

Purpose: A restricted fund established to account for expenditures such as planned or emergency repairs and alterations of the Library building, grounds, and equipment, and other uses as identified in ILCS 75 5/5-8.

Financing: This fund is financed through end-of-year transfers from the General Fund.

Fund Balance Target: The target for this fund is generally to be 8-10% of the Library's tax levy, but may exceed this threshold when saving for larger-scale renovations or systems replacements.

B. Gift Fund

Purpose: The Gift Fund is to be used for the purchase of items designated by bequests or donations, such as memorials, Giving Tree plaques, or items designated by the Friends of the Library, as well as one-time specialty purchases using unrestricted donations as approved by the Board of Trustees.

Financing: This fund is financed through donations to the Library that are over \$25, including the Giving Tree and Friends of the Library and any other unrestricted gifts to the Library.

Fund Balance Target: This fund does not have a target balance; however, should the fund exceed \$25,000 the Board of Trustees will take action to identify a project for funding.

C. Debt Service Funds

The Library has no outstanding bonds, loans, or interest on such debt. Should such a situation arise, the Library would create a debt service fund and associated procedures.

Monitoring Targets

The Library Director in conjunction with the Board of Trustees will monitor revenue collections, expenditures, fund balances, and performance of investments by reviewing financial reports. The Director and Treasurer shall advise the Board whenever projections suggest that revenue will fall short of expectations, unexpected expenditures will exceed the budget, or fund targets established by policy will not be met by year's end. In these instances the Library Director will:

- Review expenses with Department Heads
- Reduce operating expenditures where appropriate
- Present the Board with other expense reduction and expenditure control options, including those that might modify the goals established in the adopted budget
- Recommend fund transfers that may be required to meet the goals of this Policy

Annual Review

Compliance with the provisions of the Policy shall be reviewed as part of the Library's annual budget process and audit. Originally approved and adopted by Library Board, August 20, 2015.
Reapproved September 15, 2016