Poplar Creek Public Library District

Fund Balance Policy

The Poplar Creek Public Library (PCPLD) Board of Trustees (Library Board) is committed to the responsible accounting for all public funds. Within a given fiscal year, the Library Board and staff make every effort to use funds as budgeted. Any funds that are unexpended at the end of the fiscal year are classified into one of 5 categories of fund balance in accordance with the Governmental Accounting Standards Board (GASB) Statement 54. The fund balances may be used for cash flow requirements, projected building maintenance and improvements, capital projects and other purposes to ensure successful ongoing library operations.

Purpose

A fund balance policy establishes a hierarchy in the use of funds and a minimum level at which the projected end-of year fund balance must observe, as a result of the constraints imposed upon the resources reported by governmental funds. This policy is established to provide financial stability, cash flow for operation, and the assurance that PCPLD will be able to respond to emergencies with fiscal strength. More detailed fund balance financial reporting and increased disclosures will also aid users of our financial statements in understanding the availability of resources.

It is the PCPLD's philosophy to support long-term financial strategies, where fiscal sustainability is our first priority, while also providing funds for future needs. It is essential to maintain an adequate fund balance to mitigate current and future risks and to ensure a stable tax levy. Fund balance levels are also a crucial consideration in long-term financial planning.

Definitions

The five categories of fund balance, as established by GASB Statement No. 54 are as follows:

1) *Nonspendable* – amounts that cannot be spent because they are not in spendable form (e.g., principal portion of permanent fund, inventory).
2) *Restricted*-amounts not available for expenditure due to external restrictions, including grant restrictions, law, or regulations.
3) *Committed* – amounts that are designated for specific purposes by formal action of Library Board (The Library Board may reverse this action if it is later determined the funds are needed for another purpose.)
4) *Assigned* – amounts management (i.e., Executive Director) intends to use for specific purposes.
5) *Unassigned* – refers to amounts available for any purpose.

Some funds are funded by a variety of resources. Unrestricted fund balance refers to the total amount of committed, assigned, and unassigned fund balances.

Note: PCPLD will spend the most restricted dollars before the less restricted, in the following order: restricted, committed, assigned and unassigned.

Level of Unrestricted Fund Balance

Governmental Funds

General Fund

1) Purpose- This is a major fund and the general operating fund of PCPLD. It is used to account for all activities that are not accounted for in the Capital Projects Fund.
2) Fund Balance – Unrestricted fund balance targets should represent no less than four months and no more than 18 months of expected annual operating expenditures for the coming year, without a board resolution. Balances above the maximum may be transferred to the Capital Projects Fund through a resolution of the board.

Capital Projects Fund

1) Purpose – This is a major fund and was established to account for and report financial resources that are restricted, committed, or assigned to the expenditure for capital outlays including the acquisitions or construction of capital facilities and other capital assets.
2) Financing – Interfund transfers, debt financing or grants are used to finance this fund.
3) Fund Balance – The fund balance is reviewed in the developing the long range fiscal plan and is maintained at a level appropriate with upcoming capital requirements.

Special Revenue Funds

Seven special revenue funds are legally restricted to specified purposes. These funds include: IMRF (pension); FICA (social security tax); audit; unemployment; worker's compensation; public liability insurance and building and sites fund. The Board will seek to retain a minimum balance in each of the special reserve funds of $10,000. The maximum balance should not exceed 18 months of expected expenditures.

Other Considerations

In establishing the above policies for unrestricted fund balance, the board considered the following factors:

- The predictability of the PCPLD'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)
- PCPLD'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 the Capital Projects Fund (i.e., a deficit in the Capital Projects Fund may require a higher level of unrestricted fund balance be maintained in the General Fund, just as the availability of resources in the Capital Projects Fund 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)
- Commitments and assignments (i.e. The PCPLD Board of Trustees may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of the unrestricted fund balance already committed or assigned by PCPLD for a specific purpose)

If any of the above factors change, the Library Board will readdress the current unrestricted fund balance policy to ensure amounts are appropriate to maintain fiscal sustainability.

Adopted by the PCPLD Board of Trustees, February 16, 2017; 3/21/2019; 5/21/20; 4/21/22, 2/15/2024