

## FUND BALANCE POLICY

### Purpose

This policy has been adopted to address the implications of Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Definitions. The policy is created to prepare for unanticipated events that could adversely affect the financial condition of the library and jeopardize the continuation of an essential public service.

### Regulations

1. The library shall maintain a fund balance in order to:
  - a. Provide sufficient cash flow for daily financial needs.
  - b. Offset significant economic downturns or revenue shortfalls.
  - c. Provide funds for unforeseen expenditures related to emergencies.
  - d. Accumulate sufficient funds for major future capital improvements.
2. The following definitions shall be used in reporting activity in governmental funds. The library may or may not report all fund types in any given reporting period, based on actual circumstances and activity.
  - a. General Fund - for all financial resources not accounted for and reported in another fund.
  - b. Debt Service Fund - for all financial resources restricted, committed or assigned to expenditure for principal and interest.
  - c. Capital Projects/Bond Fund - for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.
  - d. Permanent Fund - for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support library purposes.
3. The fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:
  - a. Non-spendable Fund Balance: resources that cannot be used to liquidate current liabilities because the related assets are either not in spendable form (e.g. prepaids, inventory and long term receivables) or because the related assets are required to be maintained intact
  - b. Restricted Fund Balance: includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
  - c. Committed Fund Balance: amount that is designated to be used for specific purposes as determined by formal action of the Library Board. Such action must occur prior to the end of the fiscal year for which such amounts are being reported.
  - d. Unassigned Fund Balance: all residual amounts, after the assignment of all the foregoing categories, in the General Fund.

4. As required by GASB 54, the library board establishes that when multiple classifications are available and appropriate for particular expenditures, fund balance will be “spent” first from the most restrictive category working toward unassigned fund balance. Relative “restrictiveness” of fund balance shall proceed from most to least in order of the four classifications listed in this policy, from A to D above.
5. For the General Fund the library will strive to maintain an unassigned fund balance that will be no less than 20% of the General Fund expenditures, except in the case of emergency or financial distress. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment. Unrestricted fund balances, for the purposes of this fund balance recalculation, will include unassigned balance.
6. Replenishing Deficiencies. When the fund balance falls below the minimum 20% range the Library Board will determine a plan for the replenishment of shortages/deficiencies.
7. Surplus Fund Balance. Should unrestricted fund balance of the General Fund ever exceed the maximum 30% range, the Library will consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing, or other recurring expenses.

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Peter White Public Library Board of Trustees

Approved: June 15, 2021

Updated: