

## **b. Fund Balance Policy**

This policy has been adopted by the River Valley District Library's Board of Library Trustees to address the implications of Governmental Accounting Standards Board (GASB) Statement No. 54. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the Library and jeopardize the continuation of public services. This policy will ensure that the Library maintains adequate fund balances and reserves in order to:

- o Provide sufficient cash flow for daily financial needs;
- o Offset significant economic downturns or revenue shortfalls;
- o Provide funds for unforeseen expenditures related to emergencies; and
- o Secure and maintain investment grade bond ratings.

The following definitions of fund types will be used in reporting governmental fund activity. The Library may or may not report all fund types in any given reporting period based on actual circumstances and activity.

- o General Fund – used to account for all financial resources not accounted for and reported in another fund.
- o Special Revenue Fund – used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.
- o Debt Service Fund – used to account for all financial resources restricted, committed, or assigned to expenditures for principal and interest.
- o Capital Projects Fund – used to account for all financial resources restricted, committed, or assigned to expenditures for the acquisition or construction of capital assets.
- o Permanent Funds – used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the Library's objectives.

The following categories will be used to report governmental fund balances in accordance with the definitions provided by GASB Statement No. 54:

- o Non-spendable fund balance – amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact. Classification of non-spendable amounts will be determined before all other classifications and consist of the following:
  - The Library will maintain a fund balance equal to the balance of any long term outstanding balances due from others;
  - The Library will maintain a fund balance equal to the value of inventory balances and prepaid items unless those items are offset with liabilities and actually result in fund balance;
  - The Library will maintain a fund balance equal to the principal of any permanent funds that are legally or contractually required to be maintained intact; and

- The Library will maintain a fund balance equal to the balance of any land or other nonfinancial assets held for sale.
- o Restricted fund balance – amounts that can be spent only for specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- o Committed fund balance – amounts that can be used only for the specific purposes determined by a formal action of the RVDL Board. (Authority to Commit: a majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.)
- o Assigned fund balance – amounts intended to be used by the Library for specific purposes, but do not meet the criteria needed to be classified as restricted or committed. In governmental funds, other than the General Fund, the assigned fund balance represents the remaining amount that is not restricted or committed. (Authority to Assign: the RVDL Board delegates to the Finance Director the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available [spendable, unrestricted, uncommitted] fund balance in any particular fund.)
- o Unassigned fund balance – is the residual classification for the Library’s General Fund and includes all spendable amounts not included in the other classifications. In other funds, the unassigned classification is used to report a deficit balance from overspending amounts that have been designated as restricted, committed, or assigned.

The following guidelines address the classification and use of fund balance in governmental funds:

- o Classifying fund balance amounts – Fund balance classifications indicate the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include non-spendable resources and amounts that are restricted, committed, or assigned, or any combination thereof. The General Fund may also include an unassigned amount.
- o Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed, or assigned should not result in separate display of encumbered amounts. Encumbered amounts not previously restricted, committed, or assigned, will be classified as committed or assigned based on the definitions and criteria set forth in GASB Statement No. 54.
- o Prioritization of fund balance use – When an expenditure is incurred, when both restricted and unrestricted (committed, assigned, or unassigned) amounts are available it will be the policy of the Library to consider restricted amounts to have been reduced first. If an expenditure is made that is applicable to any of the unrestricted fund balance classifications, it will be the policy of the Library to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts.
- o Minimum unassigned fund balance – The Board has designated a minimum unassigned fund balance for the Library’s General Fund of 15-20 percent of the subsequent year’s budget. 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. The Director and Finance Director will provide a report of the fund balance as part of setting the annual budget, approving budget adjustments, or as requested.

Adopted 10/16/17