**Van Buren District Library (VBDL)**

**Fund Balance Policy**

Fund Balance is the accumulated equity balance in a governmental fund resulting from the cumulative difference of all revenues and expenditures. This policy has been adopted by the Van Buren District Library Board 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:

Provide sufficient cash flow for daily financial needs;

Offset significant economic downturns or revenue shortfalls;

Provide funds for unforeseen expenditures related to emergencies; and

Secure and maintain investment grade bond ratings.

**Fund Type Definitions**

The following definitions will be used in reporting activity in governmental funds across Van Buren District Library when applicable.

**The general fund** is used to account for all financial resources not accounted for and reported in another fund.

**Special revenue funds** are 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.

**Debt service funds** are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

**Capital projects funds** are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

**Permanent funds** are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the purposes of the library.

**Fund Balance Categories:**

Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

**Non spendable fund balance** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted fund balance** – includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

**Committed fund balance** – includes amounts that can only be used for specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally.

**Assigned fund balance** – includes amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restrictive nor committed. Authority to Assign: the VBDL Board delegates to the Director the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available balance (spendable, unrestricted, uncommitted fund balance) in any particular fund.

**Unassigned fund balance** – the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds that has not been restricted, committed, or assigned to specific purposes within the general fund.

**Minimum Unassigned Fund Balance**

The library will maintain a minimum unassigned fund balance for the Library’s General Fund of 50 percent of the current year’s budgeted expenditures. This minimum unassigned 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 will provide a report of the fund balance as part of setting the annual budget, approving budget adjustments, or as requested.

**Replenishing Deficiencies**

When fund balance falls below the minimum necessary to ensure sufficient cash flow for operations, the library will replenish shortages/deficiencies by either reducing expenditures and/or increasing fees for services or other funding as soon as reasonably possible.  The strategies and time frame to accomplish the replenishment shall be recommended by the Director to the Finance and Budget Committee for review and approval.

**Prioritization of Fund Balance Use**

The library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balances, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditure are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Implementation and review**

Upon adoption of this policy, the board of trustees authorizes the Director to establish any standards and procedures which may be necessary for its implementation.  The Director shall review this policy at least annually and make any recommendation for changes to the Finance Committee.