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. This policy will ensure that the Library maintains adequate fund balances and reserves 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. Special Revenue Fund – for proceeds of specific revenue sources for specific purposes other than debt service or capital projects.
    c. Debt Service Fund – for all financial resources restricted, committed or assigned to expenditure for principal and interest.
    d. Capital Projects / Bond Fund – for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.
    e. 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: Amounts that cannot be spent because they are either not in spendable form (e.g. prepaids, inventory, and long-term receivables) or legally or contractually required to be maintained intact (e.g. the corpus of an endowment).
    b. Restricted Fund Balance: 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: Amounts that can be used only for the specific purposes determined by a 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. Assigned Fund Balance: Amounts in the General Fund intended to be used by the Library for specific purposes as designated by the library director and which may be subject to final approval by the library board.
e. Unassigned Fund Balance: All residual amounts, after the assignment of all the foregoing categories, in the General Fund.

4. Prioritization of Fund Balance:
    a. 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 five classifications listed in this policy, from A to E above.

5. Minimum Unassigned Fund Balance:
    a. The Library will strive to maintain an unrestricted fund balance in the General Fund no less than 20% of current year general operating 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.
    b. Replenishing deficiencies: When fund balance falls below the minimum 20%, the Library will replenish shortages/deficiencies using the budget strategies and timeframes described below.
        i. The Library will reduce recurring expenditures to eliminate any structural deficit or,
        ii. The Library will increase revenues or pursue other funding sources, or,
        iii. Some combination of the two options above.
    c. Minimum fund balance deficiencies shall be replenished within the following time periods:
        i. Deficiency resulting in a minimum fund balance between 15 percent and 20 percent shall be replenished over a period not to exceed one year.
        ii. Deficiency resulting in a minimum fund balance between 10 percent and 15 percent shall be replenished over a period not to exceed three years.
        iii. Deficiency resulting in a minimum fund balance of less than 10 percent shall be replenished over a period not to exceed five years.

Approved: June 15, 2022
Chesterfield Township Library Board of Trustees