

## Fund Balance Policy

### Policy Statement

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.

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### 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; and
- D. Secure and maintain investment grade bond ratings.

2. Fund Type Definitions

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

- A. The General Fund

Used to account for all financial resources not accounted for and reported in another fund.

- B. Special Revenue Funds

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.

- C. Debt Service Funds

Used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

- D. Capital Projects Funds

Used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

- E. 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 purposes of the library.

3. Fund Balance Categories

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

Includes amounts that cannot be spent because they are either:

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- i. Not in spendable form or
    - ii. Legally or contractually required to be maintained intact.
  - B. Restricted Fund Balance  
Includes amounts that can be spent only for specific purposes stipulated by what the external resource provides such as example grant providers, constitutionally, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.
  - C. 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.
  - D. 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.
    - i. 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 such as spendable, unrestricted, or uncommitted fund balance in any particular fund.
  - E. 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.
4. Replenishing Deficiencies  
When fund balance falls below the minimum necessary to ensure sufficient cash flow for operations, the Library will replenish shortages or deficiencies by either reducing expenditures and/or increasing fees for services or other funding as soon as reasonably possible. The Director shall recommend the strategies and time frame to accomplish the replenishment to the Finance and Budget Committee for review and approval.
  5. Prioritization of Fund Balance Use  
The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted be they committed, assigned, or unassigned amounts are available. Similarly, within unrestricted fund balances, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditure is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used.
  6. Implementation and Review  
Upon adoption of this policy, the Board of Trustees authorizes the Director to establish any standards and procedures that 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.

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Approved: August 27, 2013  
Van Buren District Library Board of Trustees