

FUND BALANCE POLICY

PURPOSE:

The Fund Balance is the accumulated equity balance in a governmental fund resulting from the cumulative difference of all revenues and expenditures.

The policy is created in consideration of unanticipated events that could adversely effect 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.

This policy has been adopted by the Presque Isle District Library Board (PIDL) to address the implications of Governmental Accounting Standards Board (GASB) Statement No. 54.

FUND TYPE DEFINITIONS:

The following definitions will be used in reporting activity in governmental funds across Presque Isle 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 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:

Nonspendable 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 (such as the principal of an endowment fund).

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). 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 Board of Trustees as the highest level of decision-making authority. Commitments may be changed or lifted only by the Board of Trustees taking the same formal action that imposed constraint originally.

Assigned fund balance – includes amounts that are intended to be used by the library for specific purposes, but are neither restrictive nor committed. Authority to Assign: the PIDL 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. Unassigned amounts are technically available for any purpose.

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 for in GASB Statement No. 54.

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.

MINIMUM UNASSIGNED FUND BALANCE:

The library will maintain a minimum unassigned fund balance for the General Fund of ranging 15-20 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.

REPLENISHING DEFICIENCIES:

When fund balance falls below the minimum necessary to ensure sufficient cash flow for operations, the library will replenish shortages/deficiencies using the budget strategies described below.

The following budgetary strategies shall be utilized by the Library to replenish funding deficiencies:

- The Library will reduce recurring expenditures to eliminate any structural deficit; and/or,
- The Library will increase revenues or pursue other funding resources; or,
- Some other combination of the two options above.

The strategies and time frame to accomplish the replenishment shall be recommended by the Director to the PIDL Board for review and approval.

Approved July 11th, 2018.