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Fund Balance Policy

I. PURPOSE

Stevens Memorial Community Library recognizes that maintenance of a fund balance is essential to the preservation of the financial integrity of the Library, is fiscally responsible, helps mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and assists in ensuring stable tax rates. This policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the Stevens Memorial Community Library.

II. BACKGROUND

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Statement 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications for Governmental Funds: non-spendable, restricted, committed, assigned and unassigned. GASB Statement No. 54 goes into effect for financial statements ending March 31, 2012.

III. DEFINITIONS

Fund balance is a measurement of available financial resources and represents the different between total assets and totals liabilities in each fund.

GASB Statement No. 54 distinguishes fund balance classifications based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported by the following classifications:

Non-spendable – Consists of assets that are inherently nonspendable in the current period either because of their form or because they are legally or contractually required to be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments (e.g., principal of a permanent fund).

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restricted imposed by creditors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation (e.g., grants, donations and established reserve funds).

Committed – Consist of amounts that are subject to a purpose constraint imposed by formal action of the Library’s highest level of decision-making authority (Board of Directors) before the end of the fiscal year, and the same level of formal action is required to remove the constraint.

Assigned – Consists of amounts that are intended to be used for a specific purpose established by the government’s highest decision-making authority (Board of Directors), or by their designated body of official. Amounts cannot be assigned to a specific purpose if it would cause a deficit in the unassigned fund balance.

Unassigned – Represents the residual classification for the Library’s general fund, and could report a surplus or a deficit. In funds other than the General fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for the specific purposes for which amounts had been restricted, committed or assigned.

IV. GUIDELINES

The fund balance of the Library’s General Fund has been accumulated to provide stability and flexibility and to respond to unexpected adversity and/or opportunities.

The Library shall strive to attain and maintain an adequate fund balance in its general fund to provide flexibility and to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures), to ensure stable tax rates, to provide for one-time opportunities and to retain favorable credit ratings. The Library will endeavor to maintain unassigned fund balances in its general fund of between thirty and forty percent (30-40%) of regular general fund operating expenditures. This amount provides the liquidity necessary to accommodate the Library’s uneven cash flow, which is inherent in its tax collection schedule, and to respond to contingent liabilities.

If the unassigned fund balance falls below the 30% minimum fund balance percentage, the Finance Committee will evaluate current fund balance classifications in order to recommend the final distribution of fund balance in any fiscal year in consideration of estimated liabilities of the Library and sound financial planning.

The actual level of fund balance in the Library’s general fund is determined in its annual financial statement, a few months after the end of the fiscal year. The Library’s budgeting process, which culminates both in the establishment of the following year’s tax levy and the use of any appropriated fund balance, begins approximately two years in advance of the financial statement that will show the budget’s results. Because of this time lag and because of the uncertainties of the budgeting process (such as the amounts of appropriated fund balance actually used each year), it is not possible to guarantee in advance a specific level of fund balance at the close of any fiscal year. Therefore, the Library will use the following procedure to adjust the levels of fund balance, as necessary.

1. Once yearend adjustments are made to the Library’s financial statements and the fund balances of the general fund are confirmed, the Library Director and Treasurer will recommend to the Finance Committee the amounts and types of assignments for the Fund Balance to be included in the financial statement.

2. The Finance Committee will review these assignments, discuss them and accept or modify the assignments prior to the final presentation of the financial statements to the Library's Board of Directors.
3. The Library Director shall make recommendations regarding the use of fund balance to be appropriated in the following year's budget based on this policy, specifically, he/she shall recommend an amount that will, in his/her estimation, retain the requisite/appropriate level of fund balances established in this policy based on current budgetary constraints and opportunities.

V. FUND BALANCE CLASSIFICATIONS – GOVERNMENTAL FUNDS:

The following is a listing of the new classifications for the Library's General Fund current reserves and designations:

Non-spending Fund Balance:

None

Restricted Fund Balance:

- Capital Projects reserves – used to pay the cost of construction, reconstruction or acquisition of a type of capital improvement or equipment. Capital reserves are evaluated based on the status of capital projects, capital improvement plans and equipment replacement plans.

Committed Fund Balance:

None

Assigned Fund Balance:

Appropriated Fund Balance budgeted for the next fiscal year.

Unassigned Fund Balance:

Undesignated fund balance – remaining fund balance that has not been designated or reserved.

Adopted by the Board of Directors: March 19, 2026