Fund Balance Policy

(adopted 9/21/15; revised 10/19/15 & 11/21/16)

Purpose

The Library Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the library system as it seeks to fulfill its mandate as outlined in the "Memorandum of Agreement Between Stutsman County and the City of Jamestown on the Joint Provision of Library Services." This policy establishes goals and provides guidance concerning the desired level of fund balance maintained by the library system to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, capital improvements, furniture or technology updates, new bookmobile purchases, and similar circumstances.

Definitions

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

GASB Statement 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

1) **Nonspendable fund balance –** amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

2) **Restricted fund balance –** amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).

3) **Committed fund balance –** amounts that can be used only for the specific purposes determined by a formal action of the Board. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the board's commitment in connection with future maintenance needs).

4) **Assigned fund balance –** amounts *intended* to be used by the library for specific purposes. Intent is expressed by the Board. In library funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other library funds are, at a minimum, intended to be used for the purpose of that fund.

5) **Unassigned fund balance –** includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

Policy

The Library Board is responsible for establishing committed and assigned fund balances, which will be invested by the library with local financial institutions as certificates of deposit. Such funds shall be considered "assigned" unless specifically designated as "committed." Committed funds will be established by a roll-call vote of the Library Board by a supermajority of its members; assigned funds may be established through a roll-call vote by a majority of its members.

At the end of each fiscal year, the Library Board shall allocate unspent net income from the concluded fiscal year into the following categories: bookmobile and general.

In the first year of implementation, it is understood that the Board's allocation will include net income from multiple years. All funds existing in the year of implementation (except for non-spendable and restricted) are hereby re-designated as "assigned" and general, except for the bookmobile fund.

The Board shall leave sufficient net income unassigned to cover salaries, wages, and other reasonable expenditures prior to the receipt of tax income at the beginning of the upcoming fiscal year.

Expenditure of committed funds requires a supermajority roll-call vote (5 of 7 board members); expenditure of assigned funds requires of a simple majority roll-call vote. Expenditure of unassigned funds will require a simple majority roll-call vote and adhering to procedures as outlined in the Memorandum of Agreement under which the Library Board was established.

Whenever more than one type of fund balance can be used for a particular expense, the most restrictive fund will be used first. When a more restrictive fund is at a deficit, then a less restrictive fund shall be used to make-up the difference if the less restrictive fund may be used for that purpose.

Due to the financial burden of maintaining a historic library building, among other concerns, the Library Board seeks to achieve and maintain a minimum committed & assigned fund balance equal to 25% of the tax revenues in the average of the last three fiscal years. If the committed/assigned fund balance falls below the 25% threshold at the end of a fiscal year, the Library Board shall develop a plan to restore the minimum fund balance.

Any other specialized funds or reporting practices not specifically covered by this policy will follow the GASB Statement 54 as revised on February 2009.