

# Fund Balance Policy

## PURPOSE

The following policy has been adopted by the Shelby Area District Library (SADL) in order to address the implications of Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Definitions. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of SADL and jeopardize the continuation of necessary public services. The policy will ensure that adequate fund balances and reserves are maintained in order to:

1. Provide sufficient cash flow for daily financial needs,
2. Offset significant economic downturns or revenue shortfalls,
3. Provide funds for unforeseen expenditures related to emergencies.

## FUND BALANCE CATEGORIES

Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

1. Non-spendable Fund Balance: represents those resources that cannot be used to liquidate current liabilities because the related assets are either not in spendable form (e.g. pre-pays, inventory, and long-term receivables) or because the related assets are required to be maintained intact (e.g. the corpus of an endowment).
2. Restricted Fund Balance: represents amounts that are restricted to use for a specific purpose by externally imposed requirements or enabling legislation.
3. Committed Fund Balance: represents amounts that are designated to be used for specific purposes as determined by formal action of the Shelby Area District Library Board. Such action must occur prior to the end of the fiscal year for which such amounts are being reported.
4. Assigned Fund Balance: in the General Fund represents amounts that are intended to be used for specific purposes, but have not been so designated by the Shelby Area District Library Board. Designation of amounts shall be recommended by the Library Director and approved by the Shelby Area District Library Board.
5. Unassigned Fund Balances: represents all residual amounts, after the assignment of all the foregoing categories, in the General Fund.

## FUND BALANCE "SPENDING" PRIORITIZATION

As required by GASB 54, the Shelby Area District Library Board hereby establishes that the Library's policy shall be 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 one to five above.

## **MINIMUM FUND BALANCE**

The Board has designated a minimum unassigned fund balance for the Library's General Fund of 15-20 percent of the subsequent year's budget, except in the case of emergency or financial distress. Emergency circumstances shall be reported to the Shelby Area District Library Board as soon as possible. Upon such reports, the Shelby Area District Library Board may direct that additional action be taken to preserve the minimum fund balance.

*Policy adopted at the October 24, 2023 meeting of the Shelby Area District Library Board of Trustees.*