208: Funds

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A Funds Policy establishes a minimum level at which the projected end-of year fund balances should be maintained, in order to provide long-term financial stability, cash flow for operations, and fund balances adequate to ensure that the library will be able to respond to emergencies from a strong fiscal position and outlines how to handle special reserves.

# Definitions

The five categories of fund balance, as established by Governmental Accounting Standards Board Statement No. 54, are as follows:

1. Non-spendable: Amounts that cannot be spent because they are not in spendable form (e.g., principle portion of permanent fund, inventory).
2. Restricted: Amounts not available for expenditure due to external restrictions, including grant restrictions, laws, or regulations.
3. Committed: Amounts that are designated for specific purposes by formal action of the Board of Trustees. (The Board of Trustees may reverse this action if it is later determined the funds are needed for another purpose.)
4. Assigned: Amounts management (i.e. Executive Director) intends to use for specific purposes.
5. Unassigned: Available expendable financial resources in the General Fund that is not the object of tentative management plan. Also represents deficit positions within funds other than the General Fund.

Unrestricted fund balance refers to the total amount of committed, assigned, and unassigned fund balances.

The library will spend the most restricted dollars before the less restricted, in the following order: restricted, committed, assigned, unassigned.

# Level of Unrestricted General Fund Balance

It is the goal of the library to maintain no less than four (4) and not more than twelve (12) months of operating expenses in the General Fund. General Fund balances over the minimum four (4) months at the end of the fiscal year may be transferred to the Capital Improvement Fund through Board of Trustees approval.

# Level of Capital Improvement Fund

The Capital Improvement Fund is used for construction of a library, purchasing a site for erecting a library, building an addition to an existing library building, furnishing necessary equipment for a library building, renovating the existing library building, acquiring electronic data storage and retrieval facilities in connection with either the purchase or construction of a new library building or the expansion of an existing library building and for emergency expenditures for the repair of an existing library building or its equipment. The Capital Improvement Fund balance is evaluated when reviewing the library’s facility plan and annual budget and is maintained at a level sufficient to support upcoming planned projects. No specific minimum or maximum balance is established for the Special Reserve Fund.

# Fund Balance Shortfalls

Fund balances may fall occasionally outside of the target ranges because of special projects, construction, emergencies, other extenuating circumstances, and/or levy restrictions.

Whenever the unassigned fund balance of the General Fund falls below the benchmark provided for in this policy, the Executive Director shall present a plan to the Board of Trustees that would return unassigned fund balance to the minimum level over the next two fiscal years. The Executive Director's plan should try to avoid both significant service reductions and the delay of needed capital repairs and improvements.