

ATTACHMENT F

APPROVAL OF FUND BALANCE POLICY

Adoption of the attached Fund Balance Policy establishes year-end fund balance levels for existing funds.

Fund Balance Policy:

The Fund Balance Policy establishes a minimum level at which, the projected year end 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.

Types of Fund Balance

Generally accepted accounting principles provides for five types of fund balance. Following is a brief definition of each type:

- Non-spendable Fund Balance: Resources that cannot be spent because they are not in spendable form, such as inventory and prepaid items. Resources may also be non-spendable because of legal or contractual requirements.
- Restricted Fund Balance: Resources that are subject to constraints by external parties or laws.
- Committed Fund Balance: Formal constraints or limitations placed on resources by the highest level of decision-making authority at the government. In the Library's case this is the Board of Trustees.
- Assigned Fund Balance: The portion of the net position that is set aside (earmarked) for particular purposes. This differs from Committed Fund Balance in that it may have been established in a less formal method, and the authority to assign the resources may have been delegated to another individual, such as the Director of the Library.
- Unassigned Fund Balance: net resources that do not fall into one of more preceding four fund balance types. There are no formal or informal restrictions, commitments, or assignments to this portion of the fund balance.

Some funds are funded by a variety of resources, including both restricted and unrestricted (committed, assigned and unassigned). The Library's order of spending fund balance is as follows: restricted, committed, assigned, unassigned.

Fund Balance Benchmarks

General Fund

- Purpose – The General Fund is the Library's operating fund.

The goal for the Library is to maintain the unassigned fund balance at fiscal year's end within the range of 45-50% of the General Fund less one-time capital expenditures.

Capital Replacement Fund

- Purpose – The Capital Replacement Fund is committed to capital projects and building system repairs or replacement. The Library Board must approve any expenditure of funds out of the Capital Replacement Fund through the budget and appropriation process.

The goal for the Library is to maintain the Capital Replacement Fund at a level appropriate for anticipated capital requirements as projected in the Capital Replacement Study.