



FUND BALANCE POLICY

Purpose.

The following policy has been adopted by the Fruitport District Library 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 the Fruitport District Library and jeopardize the continuation of necessary public services. This policy will ensure that the Fruitport District Library maintains adequate fund balances and reserves in order to:

- a. Provide sufficient cash flow for daily financial needs,
- b. Secure and maintain investment grade bond ratings,
- c. Offset significant economic downturns or revenue shortfalls, and
- d. Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the Fruitport District Library’s fund balance and reserve policies.

Fund type definitions.

The following definitions will be used in reporting activity in governmental funds across the Fruitport District Library. The Fruitport District Library may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

The general fund is used to account for all financial resources not accounted for and reported in another fund.

Special revenue funds are used to account and report the proceeds of *specific revenue sources* that are *restricted* or *committed* to expenditure for *specific purposes* other than debt service or capital projects.

Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the library’s purposes.

Fund balance reporting in governmental funds.

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



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Nonspendable fund balance.

Definition – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact.

Classification – Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

- The **Fruitport District Library** will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the library)
- The **Fruitport District Library** will maintain a fund balance equal to the value of inventory balances and prepaid items
- The **Fruitport District Library** will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained in-tact
- The **Fruitport District Library** will maintain a fund balance equal to the balance of any land or other nonfinancial assets held for sale

Restricted fund balance

Definition – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

Committed fund balance

Definition – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the **Fruitport District Library Board**. A majority vote is required to approve a commitment and a majority vote is required to remove a commitment.

Assigned fund balance

Definition – includes amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Authority to Assign – The Fruitport District Library Board delegates to the Finance Committee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.



Unassigned fund balance

Definition – includes the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Encumbrance reporting

Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts.

Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54.

Prioritization of fund balance use

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Fruitport District Library to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Fruitport District Library that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum committed fund balance for cash flow

Fruitport District Library will maintain a minimum committed fund balance in its General Fund sufficient to provide operating cash flow for the governmental pooled funds from April 1st through March 31st of each year. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts.

Replenishing deficiencies

When fund balance falls below the minimum necessary to ensure sufficient cash flow for operations, the library will replenish shortages/deficiencies by either reducing expenditures and/or increasing fees for services or other funding as soon as reasonably



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possible. The strategies and time frame to accomplish the replenishment shall be recommended by the Finance Committee for review and approval.

Surplus fund balance

Should there be surplus unassigned fund balance, the library will use such fund balance surpluses for one-time expenditures that are nonrecurring in nature or to supplement the operational transfers to the Capital Improvement Plan.

Implementation and review.

Upon adoption of this policy the Fruitport District Library authorizes the Finance Committee to establish any standards and procedures which may be necessary for its implementation. The Finance Committee shall review this policy at least annually and make any recommendations for changes to the Fruitport District Library.

CERTIFICATION OF FUND BALANCE POLICY ADOPTION

We, the undersigned duly qualified Secretary and President of Fruitport District Library Board, Muskegon County, Michigan do hereby certify that the foregoing is a true and complete policy duly adopted by the Library Board of Trustees of the Fruitport District Library, County of Muskegon, Michigan at a regular meeting held on November 31, 2018 at 5:30PM prevailing Eastern Time and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976.

We further certify that the following Members were present at said meeting:

Motion by _____, supported by _____
passed unanimously by roll call vote to adopt the Fund Balance Policy.

And that the following Members were absent:

Policy Adoption Declared:

Mary Weimer, Secretary

Rose Dillon, President