

Fund Balance Policy

Pursuant to GASB
Statement # 54

The Community Library is required under the Government Accounting Standards Board (GASB) to establish a fund balance policy.

I. **Fund Balance Definitions**

The Statement provides more clearly defined fund balance classifications that comprise hierarchy based primarily on the extent to which the Library is bound to honor constraints on the specific purposes for which fund balance amounts can be spent.

The Governmental Accounting Standards Board (GASB) has defined the following categories for fund balances:

Nonspendable fund balance

Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.

Restricted fund balance

Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation. The Library general fund balance is restricted due to state of Wisconsin statutes.

Committed fund balance

Amounts that are constrained for specific purposes by action of the Library Board. These constraints can only be removed or changed by the Library Board using the same action that was used to create them. The board action needs to be completed by fiscal year end.

Assigned fund balance

Amounts that are constrained for specific purposes by action of a board approved employee or committee. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.

Unassigned fund balance

Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The Library specifies that restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

II. **Additional Information**

Committed fund balance

Amounts constrained to specific purposes by the governing body. To be reported as committed, amounts cannot be used for any other purpose unless the governing body approves a change by Board budget amendment.

Assigned fund balance

Amounts the Community Library intends to use for a specific purpose. Intent can be expressed by the governing body or recommended by the Library Director.

There are two essential differences between committed fund balance and assigned fund balance.

First, committed fund balance requires action by the governing body, whereas assigned fund balance allows that authority to be delegated to the Library Director.

Second, formal action by the governing body is necessary to impose, remove, or modify a constraint reflected in committed fund balance, whereas less formality is necessary in the case of assigned fund balance.

III. **Minimum Fund Balance Policy**

The Library has adopted a minimum fund balance policy that fund balance in the amount of 8% of general fund expenditures be maintained for cash flow and working capital purposes.