



Policy 2-4	Fund Balance	Created: 11/08/2018 Revised: 6/18/2023 Approved: 7/19/2023
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I. Purpose

Fund balance represents the difference between total assets and total liabilities in governmental funds. The fund balance serves as a measure of the financial resources available to a government. The Jackson County Library District Board of Directors ("District") has approved a Fund Balance Policy that establishes the minimum level at which the General Fund balance shall be maintained.

This policy is established to provide financial stability, cash flow for operations, and the assurance that the District will be able to respond to emergencies with fiscal strength.

II. Definitions

The Governmental Accounting Standards Board (GASB) issued Statement No. 54 in February 2009, incorporating changes in the reporting requirements for fund balances on the balance sheets of governmental funds. Statement No. 54 requires the use of five fund balance classifications. The five classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The five categories of fund balance, as established by GASB Statement No. 54, are as follows:

1. **Non-spendable fund balance** represents amounts that are not in a spendable form. The non-spendable fund balance represents prepaid items (e.g., prepaid insurance)
2. **Restricted fund balance** represents amounts that are legally restricted by outside parties for a specific purpose (e.g., grant requirements, donor requirements, debt covenants, or other governments) or restricted by law (constitutionally or by enabling legislation).
3. **Committed fund balance** represents funds formally set aside by the governing body for a particular purpose (e.g., Capital Improvement Fund). In order to add or remove a constraint on committed funds the Board must take formal action before the end of the fiscal year.
4. **Assigned fund balance** represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed (e.g., working capital).
5. **Unassigned (or unrestricted) fund balance** represents all spendable amounts not contained in the other classifications.

III. Order of Spending

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

IV. Minimum Ending Fund Balance

To preserve a sound financial system and to provide a stable financial base, it is the goal of the District to maintain a minimum General Fund ending fund balance equal to four months' worth of General Fund expenditures at June 30th.

V. Capital Improvement Fund Transfers

If the District has an ending General Fund balance above 10% over the minimum ending fund balance per this policy, then the board will evaluate and approve the transfer of funds above 10%, not to exceed \$2M, from the General Fund to the Capital improvement Fund for future projects.

VI. Monitoring Minimum Fund Balances

The Library Director and Board will monitor revenue collections, expenditures, and availability of cash by reviewing regular financial reports. The Library Director shall advise the Board whenever revenue projections suggest that revenue will fall short of expectations, unexpected expenditures will exceed budget, or minimum fund balances may not be met by the end of the fiscal year.

VII. Replenishing Fund Balance Shortfalls

Whenever the unassigned ending fund balance of the General Fund falls below the benchmark provided for in this policy, the Library Director shall present a plan to the Board of Directors that would return the unassigned fund balance to four months' worth of operating expenditures at year end within one to three fiscal years.