

# BLOOMFIELD TOWNSHIP PUBLIC LIBRARY POLICY MANUAL APPENDICES

## Fund Balance Reporting Policy

### ***Purpose:***

The following fund balance reporting policy has been adopted by the Bloomfield Township Public Library Board of Trustees in order to address the implications of Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The fund balance reporting policy is created in consideration of unanticipated events that could adversely affect the financial condition of the Bloomfield Township Public Library and jeopardize the continuation of necessary public services. This fund balance reporting policy will ensure that Bloomfield Township Public Library maintains adequate fund balances and reserves in order to:

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

This fund balance reporting policy and the procedures promulgated under it supersede all previous regulations regarding Bloomfield Township Public Library’s fund balance and reserve reporting.

### ***Fund balance reporting in governmental funds:***

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

#### 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 intact.

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

- Bloomfield Township Public Library will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the government)
- Bloomfield Township Public Library will maintain a fund balance equal to the value of inventory balances and prepaid items
- Bloomfield Township Public Library will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained intact

- Bloomfield Township Public 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 Library'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 Bloomfield Township Public Library Board of Trustees. A majority vote is required to approve, or remove, a commitment.

#### Assigned fund balance

*Definition* – includes amounts intended to be used by the Library 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 Bloomfield Township Public Library Board of Trustees delegates to the Finance Committee or the Library Director or his/her/their designee 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 Library'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.

#### ***Operational guidelines:***

The following guidelines address the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An

individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

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, Bloomfield Township Public Library shall consider restricted amounts to be reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, Bloomfield Township Public Library shall reduce committed amounts first, followed by assigned amounts and then unassigned amounts.

Minimum committed fund balance – Bloomfield Township Public Library will maintain a committed fund balance in its General Fund that is equal to a maximum of eight months of total expenditures and a minimum of four months of total expenditures. This advised committed fund balance of eight months is to protect against cash flow shortfalls related to timing of projected tax revenue receipts and to maintain a budget stabilization commitment.

*Replenishing deficiencies* – when committed fund balance falls below the four month minimum, Bloomfield Township Public Library will replenish shortages/deficiencies using the budget strategies and timeframes described below.

The following budgetary strategies shall be utilized by Bloomfield Township Public Library to replenish funding deficiencies:

- Bloomfield Township Public Library will reduce recurring expenditures to eliminate any structural deficit or
- Bloomfield Township Public Library will increase fines/fees for services or pursue other funding sources, or
- Some combination of the two options above

Minimum committed fund balance deficiencies shall be replenished within the following time periods:

- Deficiency resulting in a minimum committed fund balance below four months shall be replenished immediately

- Deficiency resulting in a minimum committed fund balance between four and eight months shall be replenished over a period not to exceed one year

***Implementation and review:***

Upon adoption of this fund balance reporting policy the Bloomfield Township Public Library Board of Trustees authorizes the Library Director to establish any standards and procedures which may be necessary for its implementation. The Library Director shall review this fund balance reporting policy at least annually and make any recommendations for changes to the Bloomfield Township Public Library Board of Trustees.

Approved: October 15, 2019