

TOMPKINS COUNTY PUBLIC LIBRARY

Fund Balance Policy

Purpose

The Governmental Accounting Standards Board (GASB) issued Statement No. 54 in February 2009, incorporating reporting requirements for fund balances in Governmental Funds. GASB 54 requires the use of five classifications: non-spendable, restricted, committed, assigned and unassigned. The objective of Statement 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions. GASB 54 establishes fund balance classifications that 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.

Policy

In keeping with the requirements of GASB 54, the Tompkins County Public Library (TCPL) will establish fund balance categories as defined by Government Accounting Standards. In addition, this policy addresses the need to maintain a prudent amount in the unassigned (unrestricted) category of fund balance, which represents capacity to deal with unanticipated loss, unintended revenue, or unplanned expenditures. Fund balance is the measurement of available resources and represents the difference between total assets and total liabilities.

Definitions

Definitions and examples of the five classifications within the Fund Balance are:

1. *Non-spendable* - The amounts that cannot be spent because they are in a non-spendable form. An example is prepaid insurance.
2. *Restricted* - The amounts subject to **externally** enforceable legal purpose restrictions imposed by certain creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. An example is unexpended donor restricted funds held by TCPL.
3. *Committed (Unrestricted)* - The amounts constrained to specific purposes by a government itself using its highest-level decision-making authority (the Board). Amounts assigned to this category, such as use of reserves, or appropriated fund balance, will be assigned via Board passage of an annual budget that includes such amounts, if needed.
4. *Assigned (Unrestricted)* - The amounts that are subject to a purpose constraint that represents an intended use established by the government's highest-level decision-making authority (the Board), or by the Board's designated body or official (generally the Library Director). The purpose of the assignment must be narrower than the purpose of the general fund. For example, the use of funds set aside for a particular project or purchase

of equipment.

5. *Unassigned (Unrestricted)* – All balances remaining after considering the other four categories for the general fund and could result in a surplus or a deficit. Use is least constrained in this category.

Unassigned Fund Balance

Any funds unexpended at the end of the fiscal year, and not included in any other fund balance category, are classified as unassigned fund balance. The unassigned fund balance may be used for any emergency, loss of revenue, or unusual and non-recurring expenditures that may be incurred throughout the fiscal year. Unassigned fund balance targets should represent no less than 25%, or three months, of expected annual operating expenditures for the coming year. Balances above the 25% threshold may be used for expenditures mentioned above through a resolution of the Board.

Should the unassigned fund balance fall below the 25% floor due to emergencies or service delivery requirements, the Library Board will develop a plan to re-establish at least a 25% floor within a period of no more than five years.

Assignment or Commitment of Fund Balances by TCPL Board of Trustees

Unassigned fund balance can only be committed and assigned by resolution of the Library Board.

In establishing the above policies for the General Fund, the board considered the following factors:

- The relative predictability of TCPL's revenues and the potential unpredictability of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are volatile).
- TCPL's perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, budget cuts from funding entities such as the County and NYS).
- Liquidity (i.e., a disparity between when financial resources actually become available to make payments for committee expenditures).

The Board of Trustees has the authority to set up an assigned or committed fund balance by a formal action of the Board. Amendments or modifications to the fund balance must be approved by formal action of the Board of Trustees. Fund balances do not lapse at year end. The formal action required to assign or commit fund balances shall be by board resolution or majority vote.

HRA Reserve

The Board of Trustees has established a committed (unrestricted) fund to be known as the HRA reserve. The purpose of the HRA (health reimbursement account) reserve is to protect TCPL in

a year where employee use of the HRA exceeds our planned annual expenditure. The value of the reserve represents the maximum estimated use in any one year.

Responsibility

The Responsibility of adhering to this policy lies with the Library Director and Board of Trustees. Library policies are posted on the TCPL web site (www.tcpl.org) and are available upon request.

Approved by the Tompkins County Public Library Board of Trustees 06/25/2024.