

FUND BALANCE POLICY

PURPOSE

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 new 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. Statement No. 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.

HISTORY

The GASB in their Statement No. 1, Governmental Accounting and Financial Reporting Principles, paragraphs 118–121, initially established the fund balance classifications for governmental funds and issued said statement in July 1984. Statement No. 34, Basic Financial Statements for State and Local Governments, was further issued in June 1999 and retained these classification requirements. After implementation of Statement No. 34, GASB research found considerable differences in how governments interpret and apply the standards for fund balance reporting resulting in Statement No. 54.

POLICY

The Albany Public Library accounting advisors recommended adoption of a fund balance policy in annual reports of 2011 and 2012. 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. The Albany Public Library (APL) Board of Trustees (the Board) does not intend to use this Restricted category. However, the Board will continue to carry the Restricted category for use if and when needed.

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 Capital, Debt, Repair and other Reserves, will be assigned via Board passage of an annual budget that includes such reserves, if needed. In order to add or remove a constraint on Committed (Unrestricted) funds the Board must take formal action before the end of the fiscal year.
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 Executive Director). The purpose of the assignment must be narrower than the purpose of the general fund. In funds other than the general fund, assigned fund balance will be the residual amount of fund balance.
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.

Assignment of Fund Balances by APL Board of Trustees:

The Board of Trustees has the authority to set up a 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 restrict or commit fund balances shall be by board resolution or majority vote.

Capital Reserve Fund:

The Board of Trustees has established a Committed (Unrestricted) Fund to be known as the Capital Fund. The purpose of the Capital Fund is to save and provide funding for non-recurring expenditures for repair, replacement, and improvement of the Library's buildings, facilities, and grounds. Disbursements that add to the value of, or improve the usefulness of, a capital asset may also qualify as Capital Fund expenditure.

1. Surplus Transfers

End-of-the-year surplus from the Library's operating funds may be transferred into the Capital Fund at the discretion of the Board of Trustees. Funds may not be added to the Capital Fund without the Board of Trustees' approval.

2. Capital Fund Investment

Funds held in the Capital Fund shall be invested according to the policies outlined in the Library's Investment Policy. All Capital Fund expenditures shall be subject to the Library's Procurement Policy.

3. Capital Fund Expenditure Selection Process

The Executive Director shall make recommendations to the Facilities Committee for potential Capital Fund expenditures. The Facilities Committee shall, in turn, make recommendations to the Board of Trustees. The Facilities Committee and Board of Trustees shall select capital

expenditures based on the long-term benefit of the expenditure and the amount of available funds in the Capital Fund. All expenditures from the Capital Fund must be approved by the Board of Trustees.

RESPONSIBILITY

The Responsibility of adhering to this policy lies with the Executive Director and Board of Trustees.

Library policies are posted on the Albany Public Library web site (www.albanypubliclibrary.org) and are available upon request. Requests should be directed to: Executive Director, Albany Public Library, 161 Washington Avenue, Albany, New York, 12210, (518) 427-4300.

APPROVED/REVIEWED

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