

Northville District Library

Policy on Fund Balance

This policy addresses the implications of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The Northville District Library will maintain adequate fund balances and reserves in order to:

- Provide sufficient cash flow for daily financial needs;
- Offset significant economic downturns or revenue shortfalls;
- Provide fund for unseen expenditures related to emergencies;
- Accumulate sufficient funds for major future capital improvements; and
- Secure and maintain investment grade bond ratings.

The following definitions of fund types will be used in reporting governmental fund activity. The Library may or may not report all fund types in any given reporting period based upon actual circumstances and activity.

- **General Fund-** Used for all financial resources not accounted for and reported in another fund.
- **Special Revenue Fund-** Used for proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.
- **Debt Services Fund-** Used to account for all financial resources restricted, committed, or assigned to expenditures for principal and interest.
- **Capital Projects Fund-** Used to account for all financial resources restricted, committed, or assigned expenditures for the acquisition or construction of capital assets.
- **Permanent Fund-** Used for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support library purposes.

The following categories will be used to report governmental fund balances in accordance with the definitions provided by GASB Statement No. 54:

- **Non-spendable Fund Balance-** Funds that cannot be spent because the related assets are either not in spendable form or because the related assets are legally required to remain intact.

- **Restricted Fund Balance-** Amount that is restricted for use for a specific purpose by externally imposed requirement or legislation.
- **Committed Fund Balance-** Amount that is designated to be used for specific purposes as determined by a formal action of the Northville District Library Board.
- **Assigned Fund Balance-** Amount that is intended to be used for specific purposes and is not classified as restricted or committed.
- **Unassigned Fund Balance-** Amount that is remaining after the assignment of the above categories in the General Fund

Prioritization of Fund Balance Use

As required by GASB 54, when multiple classifications are available for particular expenditures, fund balance will be used first from the most restrictive category, followed by subsequent categories working towards the unassigned fund balance.

Minimum Unassigned Fund Balance

The Northville District Library will maintain a committed fund balance in its General Fund, which is a minimum 20% of total budget expenditures. This minimum fund balance is to protect against cash flow shortfalls related to the timing of projected revenue receipts and to maintain budget stability.

Approved by the Board of Trustees June 26, 2026