

FINANCIAL

Unrestricted Fund Balance

- I. **STATEMENT** Fund balance is the difference between revenues and expenditures accumulated over time. Fund balance is classified into non-spendable, restricted and unrestricted categories. Unrestricted funds may be set aside for particular purposes, expended for unforeseen circumstances, or appropriated in the budget to reduce taxes.

- II. **PURPOSE** To identify and describe the prudent and reasonable amount of funds to retain within each category of the unrestricted fund balance and to establish guidelines for the responsible maintenance and use of funds designated for specific library purposes.

- III. **POLICY**
 - A. **DEFINITIONS**
 1. Unrestricted funds comprise committed, assigned and unassigned funds.
 2. Committed funds are those held in a board-designated fund and set aside by board resolution. In a similar way, a board resolution is required to remove the constraint and expend any money held in these funds. Committed funds include the Capital Fund.
 3. Assigned fund balance comprises amounts intended to be used for specific purposes. Assigned funds include the Memorial Fund, Education Savings, Retirement Fund, Insurance Fund, and any unrestricted funds appropriated for budget shortfalls or other assigned purpose.
 4. Unassigned fund balance is the residual classification in the general operating fund and includes all amounts not contained in the other classifications.
 - B. **UNASSIGNED FUND BALANCE**
 1. **Purpose**
 - a. The primary purpose for maintaining an unassigned fund balance is to ensure adequate cash flow for summer and fall operating expenses, prior to the receipt of tax monies in October.
 - b. A potential use of unassigned funds is as payment for some building maintenance expenses outside of the general operating fund. The Library is potentially liable for costs during summer or evening library hours specified in the lease agreement.
 2. **Minimum and Maximum Balances**
 - a. At the onset of any fiscal year, a minimum of fifty percent (50%) and a maximum of fifty-five percent (55%) of planned operating expenses of the previous fiscal year shall be maintained in the general operating fund from unassigned cash assets.
 - b. If the unassigned fund balance falls below fifty percent (50%) at year end, then a plan shall be adopted by the Board of Trustees to replenish the unassigned fund balance within two years. Sources of funding into the general operating fund may include transfers from balances of board-designated (committed or assigned) funds.

- c. If the unassigned fund balance rises above fifty-five percent (55%) at year end then it may be reserved as appropriations for contingencies, appropriated in the budget to reduce taxes, or designated to another category in accordance with this policy.
- d. A contingency amount, up to a maximum of four percent (4%) of planned operating expenses of the previous fiscal year, may be maintained from unassigned cash assets, if available.

C. CAPITAL FUND (COMMITTED)

1. Purpose

- a. The purpose of the Capital Fund is to provide funding for one-time, high-cost expenditures on property, construction, renovation, or repairs that improve the Library's facilities. These types of expenditures must not recur annually or at shorter intervals.
- b. A qualifying Capital Fund expenditure occurs when there is a purchase or acquisition of an asset that will benefit the Library for an extended period of probable usefulness and meets the minimum item cost guidelines. Disbursements that add to the value or improve the usefulness of an asset also qualify as Capital Fund expenditures.

2. Transfers

- a. 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. All transfers to the Capital Fund shall be by a board resolution.

3. Expenditure Selection Process

- a. The Director or Facilities Committee shall make recommendations for potential Capital Fund expenditures to the Board of Trustees. Criteria for selection of capital expenditures shall be based on the long-term benefit of the expenditure. All expenditures from the Capital Fund shall be authorized by a separate board resolution.
- b. The minimum item cost for a capital asset shall be five-hundred dollars (\$500).
- c. Similar lower cost items when purchased as a group may be purchased as a capital expenditure if the group total cost exceeds the minimum amount of \$500. For example, if 50 steel chairs were purchased at \$25 each, \$1,250, rather than \$25, should be used to determine that chairs are treated as a capital asset.

4. Maximum Balance

- a. The balance of funds in the Capital Fund at the end of the Library's fiscal year shall not exceed the sum of seventy-five percent (75%) of the total annual operating budget of the Library.

D. MEMORIAL FUND (ASSIGNED)

1. Purpose

- a. The Red Jacket Community Library accepts and welcomes memorial gifts and donations for the unrestricted support and benefit of the Library.

2. Deposits

- a. Unrestricted monetary gifts and donations shall normally be deposited directly into the Memorial Fund in the general ledger. Funds given as a gift in memory or in honor of a named individual shall be accounted for in a designated subaccount of the Memorial

Fund. Each journal entry shall include a description in the ledger with the donor name and memoriam or honorarium designation in addition to the amount. All monetary donations will be deposited within a week of receipt.

3. Expenditures

- a. Expenditures from the Memorial Fund shall be used to purchase collection materials, furnishings and fixtures, special programming or items of interest identified by the donor or grant maker. The Director shall authorize expenditures from the Memorial Fund.

E. EDUCATION SAVINGS (ASSIGNED)

1. Purpose

- a. The purpose of Education Savings is to provide funding for employee tuition reimbursement costs, as an employee benefit in accordance with the Employee Handbook, for courses that lead to a degree of master's in library science or another similar degree program.
- b. Reimbursement costs for tuition and fees may also include those for training that led to an Advanced Certificate in Public Library Administration or another similar certificated program that benefits the Library.
- c. It is not the purpose of Education Savings to pay for types of continuing education that recur annually or at shorter intervals such as conferences, travel to conferences, workshops, training, or staff development.

2. Transfers

- a. End-of-the-year surplus from the Library's operating funds may be transferred into Education Savings by a separate board resolution.
- b. Any reimbursement received from the OWWL Library System upon completion of coursework shall be transferred to Education Savings, up to the maximum balance, and shall not require a separate board authorization.
- c. Funds from the Education Savings may be appropriated to cover operational insufficiencies for tuition reimbursements within a fiscal year.
- d. Transfers from Education Savings may be made to any other board-designated fund or returned to the General Operating Fund by a separate board resolution.

3. Expenditure Selection Process

- a. The Personnel Committee or the Director, after consultation with the President or Personnel Committee, shall make recommendations for potential Educational Savings expenditures to the Board of Trustees. All expenditures from Education Savings shall be authorized as part of the monthly claims audit.

4. Maximum Balance

- a. The balance of funds in Education Savings at the end of the Library's fiscal year shall not exceed twenty-five thousand dollars (\$25,000).

F. RETIREMENT FUND (ASSIGNED)

1. Purpose

- a. The purpose of the Retirement Fund is for the payment of employer retirement contributions. Retirement contributions are defined as all or any portion of the amount

payable to the New York State and Local Employees' Retirement System (NYSLRS) pursuant to Retirement and Social Security Law.

2. Transfers

- a. Operational surplus may be transferred into the Retirement Fund within a fiscal year in which the NYSLRS invoice is less than the NYSLRS projected employer contribution amount and shall not require a separate board authorization. The amount transferred may be the difference between the projected employer contribution and invoice up to the maximum balance.
- b. Expenditures from the Retirement Fund may be made to cover operational insufficiencies for retirement expenditures within a fiscal year in which the NYSLRS invoice is greater than the NYSLRS projected employer contribution amount. The Director shall authorize expenditures from the Retirement Fund.
- c. Transfers from the Retirement Fund may be made to any other board-designated fund or returned to the General Operating Fund by a separate board resolution.

3. Maximum Balance

- a. The balance of funds in the Retirement Fund at the end of the Library's fiscal year shall not exceed the sum of five thousand dollars (\$5,000).

G. INSURANCE FUND (ASSIGNED)

1. Purpose

- a. The purpose of the Insurance Fund is to pay liability claims and casualty losses.

2. Transfers

- a. End-of-the-year surplus from the Library's operating funds may be transferred into the Insurance Fund by a separate board resolution.
- b. Expenditures from the Insurance Fund may be made to pay for property losses and liability claims. The Insurance Fund shall not pay for losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title, residual value, and mortgage guarantee. The Director shall authorize expenditures from the Insurance Fund.
- c. Transfers from the Insurance Fund may be made to any other board-designated fund or returned to the General Operating Fund by a separate board resolution.

3. Maximum Balance

- a. The balance of funds in the Insurance Fund at the end of the Library's fiscal year shall not exceed the sum of one thousand dollars (\$1,000).

H. OTHER BOARD-DESIGNATED FUNDS

1. Reserve funds allowed by law may be established by the Board of Trustees.

I. REPORTING

1. The Library shall report fund balances as required when filing the Annual Update Document (Annual Financial Report) with the Office of the State Comptroller.

IV. REFERENCES

- A. Office of the New York State Comptroller (2010). *Local Government Management Guide: Reserve Funds*. Division of Local Government and School Accountability 110 State Street, Albany, New York 12236. Retrieved from:
<https://www.osc.state.ny.us/files/local-government/publications/pdf/reservefunds.pdf>

Revision History	
7/16/2024	Increased maximum balance in Capital Fund to 75% of the total operating budget. Increased maximum balance in Education Savings to \$25,000. Updated references to OWWL (from Pioneer) and Employee Handbook (from Policy 300-1).
11/16/2020	Retitled from previous (Reserve Funds) and amended with three new sections (Definitions, Unassigned Fund Balance, and Memorial Fund).