



Financial Policies

Policy Title: Fund Balance and Reserve Policy

Policy Number: 3102

3102.1. Purpose:

To provide guidance to the Buena Park Library District (District) on the accumulation and maintenance of reserve funds as necessary to maintain adequate levels of services and sound fiscal condition of the District.

This policy establishes the levels of reserve funding to achieve the following specific goals:

1. Fund replacement and major repairs for the District's physical assets.
2. Fund regular replacement of computer hardware and software.
3. Fund designated conservation projects/programs or other special uses not otherwise funded by grants or requiring additional monetary support.
4. Fund capital improvements.
5. Maintain minimal operational sustainability in periods of economic uncertainty, financial hardships, and downturns in the local and national economy, local disasters, future capital obligations, cash flow and legal requirements.

In addition, fund balance shall be prioritized in accordance with the following GASB Statement 54 classifications which categorize fund balances based on the extent to which the District is bound to honor spending constraints: non-spendable, restricted, committed, assigned, and unassigned. Constraints on the committed, assigned, and unassigned categories are imposed by the District itself and are considered unrestricted.

3102.2. Policy:

3102.2.1. Reserve Definitions and Calculations



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Use of District Reserves is limited to available “Unrestricted” Funds (not obligated by law, contract or agreement), including donations, interest earned, fees for service or other non-grant earnings. All special use funds will be designated by formal action of the Board.

The following reserve categories reflect common purposes of the Districts for cash reserves; the listed purposes and reserve amounts are tailored to the needs of the District.

A. General Fund Balance (Assigned):

The General Fund Balance will maintain a minimum reserve level of 50% of the operating budget (equivalent to six months of budgeted operating expenditures).

B. General Contingency Reserve (Committed):

General Contingency Reserve shall consist of a minimum of three (3) months operating expenses. Contingency funds help provide protection against unplanned events, emergencies, or loss of revenue due to an economic downturn.

C. Capital Replacement and Improvement Reserve (Assigned):

Capital Replacement and Improvement Reserves are allocated for the purpose of replacement and improvement of capital assets. The District’s capital assets include, but are not limited to, the building, land, equipment, and/or furniture.

The reserves shall be reviewed annually by the Board of Library Trustees in conjunction with the Capital Improvement Plan (CIP) to ensure adequate funds for future capital improvement and replacement projects. The CIP will be adopted as part of the annual budget.

D. Trustee Election Reserve (Committed):

Trustee Election Reserves shall consist of the amount projected to pay for an upcoming Trustee election, as provided by the County of Orange and the District.

E. Compensated Absences Reserve (Committed):

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences includes salary-related taxes and benefits, where applicable.

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3102.2.2. Reserve Utilization

A. General Fund Balance and Reserve (Assigned):

The General Fund Balance will be utilized to support:

1. Administrative operational functions, including minimal staffing levels and administrative/office expenses;
2. Facility operations;
3. Facility repairs (distinguished from Capital Improvements and may include painting, caulking of seams, minor roof repairs, minor HVAC repairs, patching of walls, etc.).

B. General Contingency Reserve (Committed):

The General Contingency Reserve provide protections against unplanned events, emergencies, or loss of revenue due to an economic downturn. These are designated projects, programs, and/or special uses identified by the Board and/or the Library Director, and approved by the Board. Uses must mitigate unplanned events and emergencies while furthering the mission of the District and will be evaluated for designation according to the value to the District and the public it serves.

C. Capital Replacement and Improvement Reserve (Assigned):

The Capital Replacement and Improvement Reserve shall be used for:

1. Capital Improvements and Replacements
Capital Improvements Reserves shall be limited to costs related to making changes to improve capital assets, increase their useful life, or add to the value of these assets.
2. Vehicle Fleet Replacements
Vehicle Fleet Reserves will be used exclusively for the purchase of new vehicles to support District operations, or to make major repairs to existing vehicles.
3. Technology Improvements and Replacements
Technology Reserves will be used to purchase hardware and software in support of District operations, with the intent of maintaining current technology for



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employees and the public.

D. Trustee Election Reserve (Committed):

Trustee Election Reserves shall be used to pay for an upcoming Trustee election. This will be paid to the County of Orange for expenses they incurred during elections.

E. Compensated Absences Reserve (Committed):

The Compensated Absences shall be used for accumulated earned unused benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

3102.2.3. Reserve Priorities and Restoration

If reserves are expended for their intended use, the Board of Library Trustees shall prioritize restoration of reserves to levels established by policy before allocating resources to fund new or improved services.

3102.2.4. Reserve Policy Review, Monitoring, and Revisions

The Library Director, in collaboration with the Library staff, shall perform a reserve status analysis annually, to be provided to the Board of Library Trustees' annual deliberation and approval of Budget and Reserve Funds.

Additional information may be provided to the Board upon the occurrence of the following events:

1. When a major change in external and internal conditions could have a significant impact on the reserve levels established by this policy or calls into question the effectiveness of this policy; and/or,
2. Upon Library Director and/or Board request.

The Board can amend this Policy at any time, as needed.



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3102.3. General Procedure:

| Responsibility | Action |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Library Director or his/her designee | <ol style="list-style-type: none"> 1. During the budget process, calculates the required minimum reserves established by this Policy, and evaluates the degree to which the balance is above or below the required level. 2. When appropriate, incorporates any required appropriations to reserves into the proposed budget when the reserve balance is below the target established in this policy. 3. When appropriate, makes recommendations to the Board of Library Trustees as to appropriate one-time expenditures that would reduce the reserve balance when the balance exceeds 25% of expenditures at a minimum, while still meeting the reserve requirement of this policy and compliance requirements. 4. Analyzes requests for General Fund Reserve appropriations based on this policy and provides recommendations to the Board on the appropriateness of the request and the requested amount. |

Last Review Date: December 2, 2025

Adoption and Previous Revisions:

- Adopted: May 3, 2005
- Revised: May 1, 2012
- Reaffirmed: April 2, 2013
- Revised: April 5, 2016
- Revised: April 2, 2019
- Reviewed: April 6, 2022
- Revised: December 2, 2025



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Relevant Policies and Procedures

Budget Policy

Investment Policy