THE SCHULTZ-HOLMES DISTRICT LIBRARY

Budget Policy – Schultz-Holmes District Library

Budget
The budget process provides the primary mechanism by which key decisions are made regarding the levels and types of services to be provided given the anticipated level of available resources. The budget policy states how this is achieved and addresses the need for financial health and stability.

Balanced Budget
The budget shall be balanced for each and every budgeted fund. Total anticipated revenues plus that portion of the fund balance that is designated as a budget funding source shall equal total estimated expenditures for each fund.

Financing Current Expenditures
Current expenditures shall be financed with current revenues which may include that portion of the fund balance available for expenditures. The Library shall avoid budgetary procedures that balance current expenditures through the incurrence of debt or which finance on-going expenditures with one time revenues.

Level of Budget Adoption
All budgets shall be adopted at the legal level of budgetary control which is the functional category within a fund (i.e. expenditures may not exceed the total appropriation for any function within a fund without the Library Board's approval.) All budgets shall be adopted on a basis consistent with Generally Accepted Accounting Principles as promulgated by the Governmental Accounting Standards Board.

Budget Categories
The following categories exist for budgetary preparation and presentation by functional category:

- Personnel Services
- Operating Expenditures
- Library Materials
- Capital Outlay

Budget Objectives by Type of Fund
The following budget objectives are established for the different types of funds utilized by the Library:

- General Fund - The budget for the General Fund shall provide for the general operations of the Library funded by intergovernmental revenue and library charges for services and maintain working capital necessary for financial health and stability.

- Special Revenue Funds - Budgets are prepared for special revenue funds that display the legally restricted grant revenue sources and how these sources are utilized.
- Capital Projects Fund - Budgets for capital projects shall not lapse at the end of a fiscal year but shall remain in effect until project completion or re-appropriation by the Library Board.

Budgetary Control / Reports
A system of budgetary controls shall be maintained to assure adherence to the budget. Timely, monthly financial reports shall be prepared comparing actual revenues, expenditures and encumbrances with budgeted amounts.

Budgetary Basis
The budget will be prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. Measurable means an amount can be determined accurately. Available means the amount has been received or will be received soon enough to pay liabilities of the current period. Availability is defined within sixty days of year end.

Expenditures are recognized when measurable, incurred, and payable from current assets. Incurred means that the goods or services have been received. Payable from current assets means resources are currently available to pay the obligations.

Authorization of Budget Adjustments
The budget is a dynamic rather than static spending plan which requires adjustments from time to time as circumstances change. Approval by the Library Board is required for increases in total functional area budgets, increases or decreases in the personnel services budget, increases in the level of authorized positions, or changes to capital outlay items in amounts greater than $5,000. Approval of the Library Director is required for budget transfers within a functional category.

Budget Amendment Process
The Library Board shall authorize funding source increases or decreases as well as associated changes in the expenditure budget at the legal level of authority. The Library Director shall be permitted to increase or decrease funding sources as needed during the budget year without prior approval from the Library Board, particularly for budget lines that depend on specific revenue sources and amounts, including gifts, lost items, grant expenses, and related budgetary lines, but must seek Library Board approval at the next meeting after the adjustment in the same way accounts payable are addressed retroactively at the next meeting. For example, if substantial revenue is received at the annual book sale, the Library Director shall be authorized to increase the funding source budget (“Book Sale”) and increase the expenditure budget (books, materials, and

subscription purchases), but would be required to seek formal Board approval of that change at the Board's next meeting.

Budget Lapses at Year End
All opening budget appropriations, except for Capital Project Funds, shall expire at the end of a fiscal year. In accordance with generally accepted accounting principles, purchases encumbered in the current year but not received until the following year are paid from the budget of the following year. However, when necessary, the Library Board may make a re-appropriation to resolve unusual situations or hardships caused by this policy.

Unrestricted Fund Balance
The Library shall attempt to establish an unrestricted fund balance in the General Fund. The purpose is to pay expenditures caused by unforeseen emergencies, handle shortfalls caused by revenue declines, and to eliminate any short-term borrowing for cash flow purposes. This reserve shall accumulate and attempt to be retained at an amount which represents 2 months of operating expenditures.

Utilization of Prior Year's Fund Balance in Budget
Unrestricted fund balance may be used as a funding (revenue) source for that fund's budget. The amount of unrestricted fund balance shall be estimated very conservatively.

Contingency Budget
The Library shall include a contingency amount in the General Fund budget for emergency type expenditures which cannot be foreseen when the budget is adopted. The goal of the contingency shall be 5% of the total General Fund budget, and this shall be subject to annual appropriation.

Maintenance and Replacement of Capital Equipment
Priority shall be given in budget preparation and enactment for adequate maintenance of capital equipment and facilities and for their orderly replacement.

Federal and State Grants
The Library Board shall approve all grants and grant applications through Board action. All federal and state grants shall be subject to the Library's accounting and budgetary policies. All key financial provisions, including required local match, shall be included in the board actions. Accounting and budgeting information shall be inclusive of the federal / state participation as well as local participation. Provisions shall be made in the Library's annual budget for anticipated grants.

Adopted by the Schultz-Holmes District Library July 2025