

MGT-10: Fund Balance Policy

Adopted: 11/17/2022; Last Revised: 1/25/2024

Policy Statement

The Orion Township Public Library believes that sound financial management principles require that sufficient funds be retained by the Library to provide a stable financial base at all times. To retain this stable financial base, the organization needs to maintain a fund balance in the General Fund that is sufficient to fund all cash flows of the organization, to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature, and to provide funds for long-term capital expenditures. The policy addresses the Library's requirements under GASB 54 surrounding the composition of fund balance, including the establishment and use of the various components of fund balance.

Regulations

1. When an expense is incurred for purposes for which both restricted and unrestricted fund balance is available, the Library's policy is to apply restricted fund balance first. The Board of Trustees accepts the following asset spending order, as defined in GASB 54:
 - a. Nonspendable - Amounts that are not in a spendable form or are required to be maintained intact (such as the principal of an endowment fund or prepaid expenditures).
 - b. Restricted - Amounts that can be spent only for the specific purposes stipulated by external resource providers, for example, grant funds or donations for a specific-purposes. Restrictions may be changed or lifted only with the consent of the resource providers.
 - c. Committed - Amounts that can be used only for the specific purposes determined by the Board of Trustees as the highest level of decision-making authority. Commitments may be changed or lifted only by the Board of Trustees taking the same formal action that imposed the constraint originally.
 - d. Assigned - Comprised of amounts intended to be used by the Library for specific purposes, in reserve for long-term capital expenditures. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority.
 - e. Unassigned - The residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.
2. Minimum Balance
 - a. The Library is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. This policy requires a reserve for economic uncertainties, consisting of unassigned amounts, equal to no less than nine months (75%) of general fund operating expenditures.
 - b. Unassigned Fund Balance may be accessed in the event of unexpected expenditures up to the minimum established level upon approval of a budget amendment by the Board of Trustees.
 - c. In the event that the balance drops below the established minimum level, the Board of Trustees will develop a plan to replenish the fund balance to the established minimum level.

3. Operating budget surpluses added to the fund balance shall be assigned to forecasted long-term capital expenditures. In the event that all long-term forecasted expenditures are fully funded and the unassigned fund balance exceeds 100% of the annual operating budget, the Board of trustees will develop a plan to spend down the excess unassigned balance .
4. A reserve study shall be used as data to determine appropriate fund balance reserves and will be updated not less than every five years.
5. The Finance Committee shall annually review the Fund Balance and Fund Balance Policy at the end of year Budget Adjustment Meeting.

A patron may contest a library policy or any portion of a library policy by following the procedures as outlined in MGT-15: Appeals Process Policy.