



OTSEGO DISTRICT PUBLIC LIBRARY

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Fund Balance Policy
Adopted 3/22/2012

Governmental Fund Balance Type Definitions

Fund Balance is the accumulated equity balance in a governmental fund resulting from the cumulative difference of all revenues and expenditures. The purpose of this policy is to improve the reporting of fund balance by assigning the following hierarchy of fund balance classifications:

Non-Spendable Fund Balance

Amounts that cannot be spent due to form, such as inventories and – financial assets, or because of legal or contractual requirements.

Restricted Fund Balance

This portion of fund balance is restricted due to external limitations placed on the use of the funds. The restriction typically comes from outside the local government as a condition of the revenue source.

Committed Fund Balance

Fund balance is committed if a limitation is set in place by formal action by motion or resolution of the Board, this limitation remains in effect until formal action is taken to remove it.

Assigned Fund Balance

Fund balance may be assigned to reflect the intended use of the resource. The assignment may come from the Board or the Director. Less formality is needed to impose, remove, or modify, these assignments with approval by the Director and/or the Boards approval.

Unassigned Fund Balance

For all governmental funds, any amounts not classified as stated above.

Because Non-spendable and Restricted fund balances are not available for spending due to the external enforceable conditions, this fund balance policy is focused on the fund balances classified as Committed, Assigned and Unassigned.

Financial flexibility, provided by adequate fund balance, is needed to cushion the impact of unanticipated emergencies and revenue shortfalls. These include loss of major taxpayers, loss of state aid, infrastructure emergencies and other economic distresses that serve to impair the Library's ability to deliver essential community services. Without this cushion, taxpayers would be subject to millage increases, cuts in services, and/or deferred investment in and maintenance of infrastructure. When committed, assigned and unassigned fund balance amounts

are all available for a given expenditure, the Board will determine the amount to be considered for expenditures and assign to appropriately.

Minimum Unassigned Fund Balance

It is the goal of the Library to achieve and maintain an unassigned fund balance in the general fund equal to 35% of annual expenditures. The Library considers an unassigned balance of less than 35% to be cause for concern, barring unusual or deliberate circumstances. Also, it is the goal of the Library to achieve and maintain the total fund balance equal to at least 50% of the total yearly expenditures.

Annual Review

Compliance with the provisions of this policy shall be reviewed annually as part of the annual budget preparation and adoption process.

The Library will also hold an annual audit as part of its financial review of fund balances.