

Cromaine District Library Policy	Policy #: 6001	Page 1 of 2
<i>FUND BALANCE POLICY</i>	<u>Tracking Record</u> Review by Auditor: 6/8/11 Approved: 6/16/11 Reviewed: 10/12/11; 10/10/12; 10/17/13; 10/8/14; 10/14/15; 10/12/16; 12/12/17; 10/10/18; 10/17/19; 10/13/2020; 10/21/21;10/07/24 Revised: 11/10/22	

FUND BALANCE POLICY in accordance with GASB Statement No. 54

Objectives for Establishing the Fund Balance Policy

The Fund Balance Policy of Cromaine District Library is intended to provide the Board of Trustees with a set of guidelines during the preparation of the annual budget each year and throughout the fiscal year. This policy will help ensure that sufficient reserves are maintained throughout the year, in the event of unforeseen expenditures, as well as shortfalls in revenue. The objective of establishing and maintaining a Fund Balance Policy is to help the Library maintain a strong fiscal position that will be able to withstand such negative economic trends. Factors for maintaining sufficient Fund Balance include the following:

- Fund the Library’s expenditures during the first seven months of the fiscal year before significant revenues are realized;
- Fund one-time capital expenses identified as necessary by the Library Board;
- Lessen the impact of future State or county budget actions that might reduce Library revenue;
- Help lessen the impact of falling property values should they become a concern for the Library;
- Mitigate economic downturns the Library may face in the future;
- Fund costs related to disasters facing the Library.

The fund balance will consist of four funds: the Restricted Fund Balance, the Committed Fund Balance, the Assigned Fund Balance and the Unassigned Fund Balance:

- The Restricted Fund consists of funds that are required, by law, to be used for a specific purpose. These Restricted Funds may include funds received through a bond or voted operating millage for a very specific purpose. There is no minimum percentage requirement for this Fund.
- The Committed Fund consists of funds that have been set aside for a specific purpose by the Library Board of Trustees by resolution. Once the Library reaches its goal of an appropriate amount of Assigned Fund Balance, any excess funds can be included in Committed Fund Balance for capital improvement needs and emergency situations. There is no minimum percentage requirement for this Fund.
- The Assigned Fund consists of the remaining amount in fund balance that has not been earmarked for a specific purpose. The level of fund balance that the Library strives to maintain as undesignated is an amount no less than seven months operating fund expenditures. There is no maximum amount for this Fund. This amount will ensure that the Library has sufficient funds to operate on until a large number of revenues begin to be realized.
- The Unassigned Fund consists of all funds not restricted, committed, or assigned in the General Fund, and are available for any purpose.

Fund Balance Policy Adoption, Review and Amendment

The Library's Fund Balance Policy shall be adopted by resolution by the Cromaine District Library Board of Trustees. The policy shall be reviewed at least annually and the same authority must approve any modifications.

This policy will be managed and monitored, through the direction of the board, by the Library Director and report of the current and projected level of the reserve funds in conjunction with the budget process. If necessary, the Library Director will present recommendations for any amendments, deletions, additions, improvements or clarification. Should the need arise, the Library Board reserves the right to appropriate funds from the Assigned Fund Balance for emergencies and other requirements the Library Board believes to be in the best interest of the Library. Likewise, if the need arises, the Library Board reserves the right to suspend, at any time, the designation of funds for a specific purpose.

Remedy for Maintaining Minimum Fund Balance Range

When fund balance approaches its minimum threshold the following measures, in priority order, shall be used to build up the fund balance:

1. Cut or reduce capital improvements from the Improvement Fund.
2. Cut expenditures in the Operating fund.
3. Seek alternative sources of funding.
4. Seek additional operating millage.