

Fund Balance Policy

A. Purpose

The Messenger Public Library (MPL) is committed to responsible accounting for all public funds. Prudent, and responsible financial policies are important to provide value to our residents and be a good steward to public funding.

A Fund Balance/Net Position Policy establishes a minimum level at which the projected end-of-year (calendar year) fund balance/net position must observe, because of the constraints imposed upon the resources reported by the governmental and proprietary funds. This policy is established to provide financial stability, cash flow for operations, and the assurance that Messenger Public Library will be able to respond to emergencies with fiscal strength.

Detailed fund balance financial reporting and disclosures will aid the reader of the financial statements in understanding the availability of resources. It is the Library's philosophy to support long-term financial strategies, where fiscal sustainability is a priority, while also building funds for future growth, capital repairs and replacement, emergencies, and unforeseen needs that arise. The Library seeks to balance stewardship for the facility and collection and work within the facility operating repair and replacement plan whenever possible.

It is essential to maintain adequate levels of funds balance/net position to mitigate current and future risks and to ensure tax rates. Fund balance/net position levels are also a crucial consideration in long-term financial planning or preventing a gap in operational funding in the event of tax distribution delays. Credit rating agencies carefully monitor levels of fund balance/net position and unassigned fund balances.

B. Definitions

Fund Balance - the difference between assets and liabilities in a Fund.

Non-spendable Fund Balance - that portion of a Fund's balance that is not available to be spent, either through form or restrictions.

Restricted Fund Balance – that portion of a Fund's balance that is subject to external enforceable legal restrictions e.g., Building & Maintenance Fund, Working Cash Fund, Special Reserve Fund.

Committed Fund Balance – that portion of a Fund's balance with self-imposed constraints or limitations that have been placed by the Board.

Assigned Fund Balance – that portion of a Fund's balance that has been assigned or devoted for a specific use.

Unassigned Fund Balance – that portion of a Fund’s balance that is not restricted, committed or assigned and thus is available for use, e.g., the Corporate Fund.

C. Fund Balance Policy

It is the policy of the Board of Library Trustees to maintain a balance in the Corporate Fund sufficient to meet the Library’s reasonable cash flow needs.

The Special Reserve Fund use and balance are subject to the Board’s discretion. The Board may determine periodically an amount to transfer into the Special Reserve Fund,** and will assess funds to transfer at the end of each calendar year.

D. Fund Balance Levels

1. Corporate Fund

The Corporate Fund is the Library’s general operating fund. The Corporate Fund is the general operating fund of the Library. Expenditures from this fund include but are not limited to, personnel (salaries/benefits), administrative, maintenance, utilities, materials (ex: books/DVDs/online resources), insurance, equipment, and programs.

2. Special Reserve Fund

The Special Reserve Fund is a restricted fund utilized for capital outlays including the maintenance, acquisition, construction, or improvement of capital facilities. This fund is also to provide for emergency capital expenditures.

Unrestricted fund balances should ideally represent no less than six (6) months and no more than twelve (12) months of operating expenditures. Balances of more than twelve (12) months of operating expenditures may be transferred to other funds or the Special Reserve Fund.

This Policy may be amended from time to time at the Board’s discretion.

The Library will spend the most restricted funds before less restricted funds in the following order:

- 1) Nonspendable (if funds become spendable).
- 2) Restricted.
- 3) Committed.
- 4) Assigned.
- 5) Unassigned.

** The Board approved in 2013 an “*Ordinance Amending Purpose of Special Reserve Fund*” (*Ordinance Resolution 01-2013 approved 11/14/2013*) allowing for the accumulation of up to \$3,000,000 in the Special Reserve Fund.