Fund Balance Policy

Fund balance refers to the difference between the assets and liabilities shown on the Library's financial statements, governmental funds balance sheet. The Library's main governmental fund is the General Fund. This fund may report a fund balance on the Library's financial statement at the end of each fiscal year and the fund balance will be classified as assigned or unassigned in order to depict the relative strength of the constraints that control how specific amounts can be spent.

The General Fund is the general operating fund of the Library. It is used to account for all the financial resources. The Library's General Fund Balance will generally be classified as Assigned or Unassigned.

- The **Assigned** amount of the General Fund Balance represents amounts that are constrained by the Library's intent to be used for specific purposes, but not restricted nor committed. The Library Board of Trustees approval is needed to authorize the Library Director as their delegate to assign fund balance. (The most common use of Assigned General Fund Balance would be the fund balance amount that would be needed to fund a projected budgetary deficit in the next year's Library's budget.)

- The **Unassigned** amount of the General Fund Balance represents the residual amounts which do not meet other classification criteria. The Unassigned fund balance generally includes the Library's minimum operating contingency reserve and encumbrances. The Unassigned amount of the fund balance will be noted in the annual financial footnotes.

- The Library's policy is to maintain a minimum operating contingency reserve in order to comply with the Library of Michigan's operating service standards for a public library. If unanticipated budgetary shortfalls occur and the contingency reserve falls priority would be given to replenish the reserve as soon as possible through the reduction of expenditures until savings reach an acceptable level.