**On 5/7/2018 1:42 PM, Rebecca Higgerson via Michlib-l wrote:**

Does anyone have a policy they would be willing to share that specifically addresses the library’s contingency or fund balance?  Does it include a specific percentage of the budget that you have deemed should be in reserve?

 Thanks in advance!

 **Rebecca Higgerson**

Director

Brandon Twp Public Library

**RESPONSES:**

Our policy is simply to maintain a minimum of 8 months' worth of money -- we only get State Aid though and sometimes it is quite late coming to us.

Bryon

Bryon Sitler, Director

White Pine Library Cooperative

3210 Davenport Ave.

Saginaw, MI   48602

Phone: (989) 793-7126

Here is what our auditors said

General Fund – Unassigned Fund Balance

 During our audit, we noted that the Library’s General Fund Unassigned Fund Balance as of December 31, 2017 was approximately $163,000, or approximately 3.6% of annual budgeted General Fund expenditures (approximately $4,550,000).  While every governmental organization is slightly different, the Government Finance Officers Association (GFOA) recommends that governmental organizations’ general fund unassigned fund balance not go below approximately two months of regular general fund operating revenues or expenditures, or approximately 17% of annual regular operating revenues or expenditures.  For the Library, this amount would approximate $773,500, assuming annual regular operating revenues or expenditures of approximately $4,550,000.  We recommend that the Library strengthen the General Fund’s Unassigned Fund Balance.

Christine Lind Hage

Director, Rochester Hills Public Library

Division Councilor, United for Libraries

500 Olde Towne Road
Rochester, MI 48307-2043
248/650-7122

Ours is on our website if you want to check it out.  We set aside 30%.  Our website is Franklin.lib.mi.us.  Policies are under the “ About us” tab.

Teresa Natzke

Director

Franklin Public Library

I set aside funds for specific future purchases and even to protect from really bad penal fine years....currently we have a penal fine recovery fund, a building/furniture fund, a technology fund, and a vehicle fund.  I usually try to have a 20% undesignated fund in addition to the above.  Our millage is only for operations.

Hope this helps.

Stephanie



Hi Rebecca,

I made an inquiry a few years ago and I have attached what I received here.  I also attached our policy (Fund Balance Policy December 2016). 

To give some context to our numbers – we chose 45% because we run a Jan-Dec fiscal year and we don’t receive tax monies until end of April/beginning of May each year.  That means we have to have money to operate (Jan-May expenses) carried over from the previous year.  Yes, 5/12 of the year is technically 41.6% but 45% provides wiggle room for any annual expenses that happen to fall in the first 5 months. 

We have a healthy fund balance at this time.  The 25% in the policy for uncommitted funds may seem a little high to some, but for us it was reasonable.

One other comment – we had our auditor look it over and she felt it was a sound policy.  The line she particularly liked was “When both committed and unassigned funds are available for a considered expenditure, the Board will assign funds appropriately.”  She said that without that line the Board would be required to spend committed funds before unassigned funds based on GASB.  By including that line in the policy it gives the Board back their control of our spending.  

Hope something helps!  The emails I received in 2016 are pasted below!!

Megan Buck

Director

Dickinson County Library

401 Iron Mountain Street

Iron Mountain, MI 49801

(906) 774-1218

[www.dcl-lib.org](http://www.dcl-lib.org/)



I would suggest that you speak with your financial auditors.  That team should be able to tell you what they would expect you to keep as a contingency or reserve amount.  Much of that decision should be based on the age of your building, the amount of liability insurance you carry,  if you’re connected/tied to your city’s budget or independent of your city.  There are other variables as well.  Have  you already established a reserve fund or if you are just beginning.  Do you have any other funds available that you could tap,  for instance an endowment or gift fund that do not have restrictions?

So I would begin my talking to the people who know  your financial circumstances the best.

Gale Yunker

Accounting Manager

Farmington Community Library