

# Ontario Public Library

## Policy 4068

### FUND BALANCE AND ASSIGNED RESERVES

This policy is intended to provide guidelines during the preparation and execution of the annual budget to ensure that adequate financial resources are maintained for unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. It is also intended to preserve flexibility throughout the fiscal year to adjust funding for expenditures approved in connection with the annual budget. The Fund Balance and Assigned Reserves Policy is established based on a long term perspective, recognizing that stated thresholds are considered maximum balances. The main objective in establishing and maintaining a Fund Balance and Assigned Reserves Policy is for the library to be in the strong fiscal position that will allow it to weather negative economic trends.

The Fund Balance consists of two (2) categories:

Assigned – funds that are set aside with the intent to be used for a specific purpose by the Board of Ontario Public Library (OPL) Trustees

Unassigned – excess funds that have not been classified in previous categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Trustees have established five (5) Assigned Reserve funds:

#### **Capital Reserves**

Trustees shall establish a Capital Reserve Fund in the amount not to exceed \$200,000 for the purpose of financing facility improvements, construction, building, and original furnishings.

**Cash-Flow Reserve:** This fund in the amount not to exceed \$110,000, is established to ensure sufficient cash flow to cover operating expenses from the beginning of the fiscal year, January 1, until the fiscal new year funds are received from the Town.

**Contingency Reserve:** This fund in the amount not to exceed \$50,000 is established to financially insulate the Library in the event of a significant decrease by the Town or shortfalls to other funding sources.

**Independent Audit Reserve:** This fund in the amount not to exceed \$18,000 is established to pay for independent audits.

**Technology Reserve:** This fund is established in the amount not to exceed \$20,000 for the purpose of for large technology projects and general emergency replacement outside the scope of annual budget needs.

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The Trustees shall strive to attain in each of the funds at fiscal year-end the minimum fund balance of 25 – 50% of the adopted budgeted appropriations.

When an expenditure is incurred for purposes for which amounts in any unrestricted classifications of funds balance could be used, the Trustees consider assigned amounts to be reduced first, followed by unassigned amounts.

Separately, the Financial Controls Policy 4064, Banking, establishes a Legal Savings fund. It is established with LNB with restricted use for paying attorney and related legal fees. There is no online access to this account. The Board of Trustees is responsible for authorizing fees to be deposited and/or withdrawn from this account. This is an FDIC insured account.

### **Funds to Continue Operations**

Should the Library not have the required fund balance to finance operations, the Board of Trustees shall be alerted and/or an emergency meeting of the Board be called, at which time the following steps may be taken to maintain said operations:

- A. Defer spending
- B. Consider any of the following options, depending on prevailing conditions:
  - 1. The Board of Trustees authorizes use of Assigned Reserves to offset cash flow on a temporary basis. Assigned Reserves are replenished upon receipt of Town of Ontario funds.
  - 2. The Board of Trustees authorizes the Library Director to secure a Revenue Anticipation Note sufficient to meet the operational needs of the Library System in advance receipt of Town of Ontario funds.

Any of the above activities shall be reported by the Library Director and/or Treasurer to the Board of Trustees in writing at the next Board of Trustees meeting. The Library Director and/or Treasurer shall maintain a record of the activity and, once any necessary reimbursement is made, notify the Board of Trustees.