

## HENDRICK HUDSON FREE LIBRARY FUND BALANCE POLICY

The general purpose of this policy is to improve Hendrick Hudson Free Library's financial stability by protecting itself against emergencies and economic downturns. The policy is designed to help the Library prepare for a financial emergency and ensure the continuity of financial operations, enable realistic long-term planning, assist with effective development of annual budgets, and to promote clear communications with the general public, staff, and administration. This policy recommends the allocation of fund balance into the reserve and capital accounts as suggested below.

### Definitions

**Operating Funds** - Any expenditure necessary to meet the daily operations of the Library and any debt service payments.

**Reserve Funds** - Funds to support the operating budget in the case of unforeseen events or circumstances that require immediate action, including loss of income and non-budgeted items.

**Capital Fund** - Funds for the improvement of, and/or the addition to, the physical plant and for the purchase of furniture, fixtures, and equipment.

### Guidelines

A fund balance shall be determined by taking the unexpended portion of the fiscal year end operating budget less the designated tax equalization amount.

This fund balance amount will then be allocated as such:

70% to the reserve fund until it reaches a minimum of 6 months operating expenses;

30% to the capital fund;

Once the reserve fund reaches the minimum required amount, 100% will be allocated to the capital fund.

These funds shall be deposited in separate interest-bearing accounts that meet the requirements as set forth in the Investment Policy.