



Mattituck-Laurel  
**LIBRARY**

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## Fund Balance & Reserve Funds

The Mattituck Laurel Library (Library) Board of Trustees (Library Board) is committed to the responsible accounting for all public funds. Within a given fiscal year, the Library Board and staff make every effort to use funds as budgeted.

### **Purpose**

A fund balance policy establishes a process for the use of funds and a minimum level for the projected balance of funds at the end of each year. This policy is established to provide financial stability, sufficient cash flow for operations, and the assurance that the Library will be able to respond to emergencies with fiscal strength.

It is the Library's philosophy to support long-term financial strategies, where fiscal sustainability is our first priority, while also providing funds for future needs. It is essential to maintain an adequate fund balance to mitigate current and future risks. Fund balance levels are also a crucial consideration in long-term financial planning.

### **Capital Reserve**

Any funds that are unexpended at the end of the fiscal year are classified into the Capital Reserve.

The Capital Reserve balance may be used for any capital, emergency, or unusual and non-recurring expenditures that may be incurred throughout the fiscal year. Unrestricted fund balance targets should represent no less than 25%, or three months, of expected annual operating expenditures for the coming year. Balances above the 25% threshold may be used for expenditures mentioned above through a resolution of the board.

Should the fund balance fall below the 25% floor due to emergencies or service delivery requirements, the Library Board will develop a plan to re-establish at least a 25% floor within a period of no more than five years.

Capital Reserve monies can only be committed and assigned by resolution of the Library Board.

In establishing the above policies for the Capital Reserve, the board considered the following factors:

- The predictability of the Library's revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile)

- The Library's perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts)
- Liquidity (i.e., a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained)
- Commitments and assignments (i.e., The Board of Trustees may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of the unrestricted fund balance already committed or assigned by the Library for a specific purpose)

If any of the above factors change, the Library Board will readdress the current unrestricted fund balance policy to ensure amounts are appropriate to maintain fiscal sustainability.

Adopted 11/13/2023