



## **Fund Balance and Reserve Funds Town of Collins Public Library**

The Town of Colling Public Library (ToCPL) may have more than one accounting fund.

- The *operating fund* is the account from which the library's day-to-day income and expenses are received and disbursed and is usually the account through which almost all receipts pass. This is the primary fund for the library's annual budget.
- The *private fund* is a separate account established for donations and moneys specifically for the use of ToCPL. Some of these funds may have been designated for specific use at their donation.
- The *capital fund* is a separate account established for special one-time, unusual, and usually high-cost activities such as construction, renovation, or major equipment purchases.
- The *endowment fund* is a separate account whose purpose is to generate supplemental revenue for the library. Often such funds are designated for specific purposes.

Library Boards may establish other special purpose funds for accounting and planning purposes. Monies may be transferred into and out of such funds only with formal board approval at an open meeting. It is common for the library to maintain an *undesignated fund*, or *fund balance* to meet the cash flow requirements of the organization.

Having acquired funds from local government, community taxpayers, or other sources, the board has an obligation to spend the money! Although a reserve fund is prudent and appropriate, the library should not hoard excessive amounts of money as a hedge against the proverbial rainy day. There should be justification, based in reality, for all reserve funds. Local governments, voters, and donors do not give or appropriate money to the library so the board can put it away in a safe place. They are buying service from the library.

Each fund must be defined in the library's Reserve Funds Policy, identified in the library's annual audit and its purpose understood by every trustee. There is no limit to such reserve funds in law or regulation, but recent State Comptroller's audits have questioned extraordinary reserves (i.e. in excess of the library's annual budget).

Funds from in excess of regularly needed operating costs in the unrestricted or private accounts may be kept in a Money Market and/or Certificate of Deposit fund from which they can be liquidated if needed, but will have a higher rate of interest return.

The Collins Public Library will retain up to 9 months' worth of operating funds in its accounts as a precaution.

*Adopted by the Board of Trustees 12/15/2016, For review 12/3/2020.*