Cornwall Public Library

Minimum Fund Balance Policy

1. Purpose

The purpose of this policy is to establish a prudent minimum fund balance for Cornwall Public Library ("Library") sufficient to maintain continuity of operations, meet financial obligations, and protect essential library services during periods when revenues are temporarily unavailable or unexpected expenditures arise.

The Library recognizes that its operating revenues, including tax revenues, are received at various times during the fiscal year. In particular, the Library may experience a period at the beginning of the fiscal year during which operating expenses must be paid before the receipt of the first tax payments in late September. Maintaining an adequate fund balance allows the Library to meet its obligations during this period without interruption to services.

2. Minimum Fund Balance

The Library shall strive to maintain a minimum unrestricted fund balance equal to **four months of budgeted operating expenditures**, calculated as follows:

- **Three months of operating expenditures** to provide working capital and support normal continuity of operations; and
- **One additional month of operating expenditures** designated as an emergency and contingency reserve to protect the Library against unforeseen circumstances, revenue delays, or significant unexpected expenditures.

The four-month minimum is intended to provide the Library with sufficient financial stability to continue essential operations while awaiting the receipt of tax revenues and to respond responsibly to unforeseen financial circumstances.

3. Calculation

For purposes of this policy, the minimum fund balance shall be calculated annually using the Library's adopted operating budget.

The target amount shall be:

Annual Budgeted Operating Expenditures ÷ 12 × 4

The Board of Trustees may use a different calculation methodology when circumstances warrant, provided that the methodology is reasonable, documented, and consistent with the purpose of this policy.

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Capital expenditures, debt service, and other extraordinary or non-recurring expenditures may be excluded from the calculation of normal operating expenditures when determining the four-month minimum, unless the Board determines that such expenditures should be included.

4. Use of Fund Balance

The fund balance is intended primarily to ensure continuity of Library operations and shall not be used to routinely finance ongoing operating deficits.

Fund balance may be appropriated or expended when necessary for purposes including, but not limited to:

- Maintaining essential Library operations during temporary revenue shortfalls or delays;
- Meeting payroll, contractual obligations, utilities, insurance, and other necessary operating expenses;
- Addressing emergencies or unforeseen expenditures;
- Responding to circumstances that could otherwise result in an interruption or significant reduction of Library services; or
- Addressing other extraordinary circumstances approved by the Board of Trustees.

Any use of fund balance that would cause the Library to fall below the established four-month minimum should be approved by the Board of Trustees and accompanied, when appropriate, by a plan to restore the fund balance to the required level.

5. Restoration of Fund Balance

If the Library's unrestricted fund balance falls below the four-month minimum, the Board of Trustees shall evaluate the circumstances and determine an appropriate plan for restoration.

The restoration plan may include the use of future budget surpluses, expenditure reductions, revenue increases, or other lawful financial measures. The Board shall consider the Library's operational needs and financial circumstances when establishing the timeframe for restoration.

6. Annual Review

The Director and Treasurer shall review the Library's fund balance annually in conjunction with preparation of the proposed operating budget.

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The Board of Trustees shall review:

1. The actual unrestricted fund balance;
2. The amount required to maintain the four-month minimum;
3. Anticipated revenues and expenditures;
4. The timing of anticipated tax and other revenue receipts; and
5. Any circumstances that may warrant maintaining a fund balance above or below the established minimum.

The Board may adjust the target when extraordinary circumstances, significant changes in the Library's budget, or changes in the timing or reliability of revenues warrant such action.

7. Policy Intent

This policy is intended to promote sound financial management, fiscal responsibility, and continuity of public library services. Maintaining an adequate fund balance is not intended to accumulate funds unnecessarily, but rather to ensure that the Library can meet its obligations and continue serving the public during normal periods of uneven cash flow and in the event of unforeseen financial emergencies.

The Board of Trustees shall administer this policy in accordance with applicable New York State law, regulations, and generally accepted principles of governmental and nonprofit financial management.

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