



AVON
FREE PUBLIC LIBRARY

Financial Reserves and Spending Policy and Procedures

Purpose:

The Avon Free Public Library (the "Library") is on a solid financial footing thanks to municipal support. Augmenting those resources, and critical to the success of the Library's mission, are funds under the control of the Library's Board of Directors (the "Board"). This policy provides guidelines for establishing, using, replenishing, and reporting on Board controlled reserves and other funds available to support the Library beyond the annual Town appropriation.

Key Definitions:

Board controlled funds means deposits, cash equivalents, investment funds, gifts, grants, bequests, and other assets held for the benefit of the Library and subject to the authority of the Board.

Unrestricted funds means Board controlled funds that are not legally or donor-restricted as to purpose and may be used by the Board to advance the Library's mission, subject to this policy and other Board approved policies.

Restricted funds means Board controlled funds that are limited by donor instruction, grant terms, law, or other enforceable restriction and may only be used in accordance with those restrictions.

Operating reserve means the portion of unrestricted funds designated by the Board to address unanticipated revenue shortfalls, unexpected expenses, emergencies, cashflow needs, or transitional needs not otherwise covered by the Library Board's approved budget.

Board reserve means the portion of unrestricted funds designated by the Board for major initiatives, equipment, technology, facility related needs, other long-term priorities approved by the Board.

Capital spending reserve means the portion of restricted funds designated by the Board for major initiatives, equipment, technology, facility related needs, other long-term priorities approved by the Board.

Spending draw means any Board authorized use of principal, interest, dividends, or other assets from Board controlled funds.

Scope:

This policy applies to the Board, the Financial Operations Committee (the "FinOps Committee"), and the use of Board controlled funds. It does not replace the Library's annual Town funded operating budget process, the [Investment Policy](#), the [Gifts Policy](#), or any legally binding donor or grant restrictions.

Roles and Responsibilities:

The Board has final authority over the establishment, designation, use, and replenishment of Board controlled reserves and other Board controlled funds.

The FinOps Committee is responsible for recommending reserve targets, reviewing proposed spending draws, monitoring reserve levels, and reporting to the Board on the status and use of Board-controlled funds.

The Treasurer, as Chairperson of the FinOps Committee, is responsible for coordinating review of proposed reserve uses, reporting on reserve activity, and ensuring that approved spending draws are reflected in the Board's financial records.

The Library Director may identify operational, programmatic collection, technology, facility, or strategic needs that may warrant use of Board controlled funds and shall provide reasonable documentation to support such requests. The Library Director is responsible for administering approved expenditures consistent with Board authorization and applicable Library procedures.

Procedures:

- 1. Reserve Categories:** After Board approval, the Board may designate unrestricted Board controlled funds as operating reserves, strategic or capital spending reserves, board designated funds for a stated purpose, or other reserve categories that support the Library's mission.
- 2. Annual Reserve Review:** At least annually, the FinOps Committee shall review reserve balances, projected needs, restricted and unrestricted fund balances, and anticipated risks or opportunities. The committee shall recommend to the Board any changes to reserve targets, fund designations, or spending priorities.
- 3. Permitted Uses:** Reserve funds may be used to address unanticipated revenue shortfalls, emergency or time-sensitive needs, major repairs or replacements, technology or equipment needs, collection or program enhancements, capital or strategic priorities, transitional need, or other purposes approved by the Board and consistent with the Library's mission.
- 4. Restricted Funds:** Restricted funds shall be used only for the purposes for which they were given, granted, or otherwise restricted. If there is uncertainty about the permitted use of restricted funds, the matter shall be reviewed by the FinOps Committee and, when appropriate, legal or financial counsel before Board action.

- 5. Spending Authorization:** Any proposed spending draw from Board controlled reserves shall be recommended by the FinOps Committee and approved by the Board, unless the expenditure has already been authorized through a Board approved budget, operating plan, or other Board approved action.
- 6. Conflict of Interest:** No Board member shall have any conflict of interest with respect to any reserve designation, spending draw, replenishment decision, use of Board controlled funds, or other financial decision under this policy that could improperly create or otherwise give rise to, either directly or indirectly, a financial or other tangible benefit to such member. For additional details, please see the [Conflict of Interest Policy](#).
- 7. Emergency Use:** When action is required before the next regular Board meeting to due to extraordinary circumstances that require immediate action that if ignored would have significant consequences, three (3) or more officers may authorize a time sensitive spending draw consistent with Board approved procedures and available funds. Any such action shall be reported to the Board within 24 hours and at the next regular meeting and recorded in the minutes.
- 8. Replenishment:** When reserve funds are used, the FinOps Committee shall recommend to the Board whether and how the reserve should be replenished. Replenishment may occur through future gifts, investment income, budgetary surplus, board designated transfers, or other Board approved sources.
- 9. Reporting:** The Treasurer or FinOps Committee shall report reserve balances and material reserve activity to the Board at least quarterly and as part of the Board's annual financial review. Reports should distinguish unrestricted funds, restricted funds, board designated funds, and any reserve draws approved during the reporting period.
- 10. Consistency with Investment Policy:** This policy governs when Board-controlled funds may be used and how reserve decisions are made. The Library's [Investment Policy](#) governs how investment funds are managed, invested, and safeguarded.
- 11. Review Cycle:** This policy will be reviewed as needed if required by changes in law, funding structure, accounting practice, donor restrictions, or Board governance needs and/or in accordance with the review schedule of the policy subcommittee.

Applicable State and Federal Laws:

In using Board controlled funds, the Board and FinOps Committee shall comply with applicable federal and Connecticut law and with any enforceable donor, grant, contractual, or fiduciary restrictions.

Location:

This policy is available on the Avon Free Public Library website:

<https://www.avonctlibrary.info/policies/>

A copy is maintained in the Library's Administration Office.

Adopted: June 16, 2026