

Winnefox Library System:

**Fund Balance Policy**

**Purpose:**

The chief purpose of public library systems in Wisconsin is to utilize state aid to provide regional services that benefit libraries and library users throughout the system area. Therefore, it is the system's policy that unspent funds will be committed for specific purposes upon the close of each budget year. The purpose of reserve funds is to ensure stability of the mission, programs, employment, and ongoing operations of the organization. Reserve funds provide a source of funding for:

- Unexpected expenses
- Planned capital improvements
- Innovative projects
- Emergency expenses
- Shutdown of system operations
- Nonpayment of WALS fees by member libraries

Reserve funds are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.

**Definitions:**

1. **Fund Balance:** The difference between the library's assets and liabilities, representing the net resources available.
2. **Undesignated Fund:** Funds available for any purpose.
3. **Designated Fund:** Funds intended for specific purposes but not legally restricted.

**Winnefox Library System (WLS) Reserve Fund**

**Composition:**

The WLS Large Government Investment Pool (LGIP) will include the following accounts: General Reserve, Compensated Absences, New Services, Vehicle Replacement, as well as an undesignated fund. The undesignated fund will be the repository for State Aid and will populate other accounts as necessary. These accounts will be populated through the unexpended funds from State Aid and the interest it earns.

- **General Reserve:** An operating reserve fund to offer cash flow management in the event of unanticipated expenses or emergencies. Benchmark: 35% of the WLS operating budget

- **Compensated Absences:** A reserve fund to cover the pay out of vacation and sick time owed to those staff over the age of 55. Benchmark: Calculated at the time of each audit.
- **Vehicle Replacement:** Reserve designed offer funds to meet the needs of the Winnefox fleet of vehicles needs both in times of emergency and in transition from an older van to the purchase of a new van. Benchmark: Detailed in the Vehicle Replacement Schedule
- **New Services:** A reserve to take advantage of new opportunities previously unbudgeted for. No service should be funded out of this fund over multiple years. Benchmark: None needed at this time.

### Winnefox Automated Library Services (WALS) Reserve Fund

#### Composition:

The WALS LGIP will include the following accounts: Capital Reserves, Compensated Absences, and a SirsiDynix Buyout Reserve, along with an undesignated fund. Excess funds from the WALS' checking account will be first moved to the undesignated LGIP funds; these funds may be distributed to other designated funds, per the board's approval. These accounts will be populated through the unexpended funds from the WALS Budget, along with the interest those funds earn.

- **Capital Reserves:** A reserve fund covering large equipment expenses that WALS services rely on. Operating funds may be added to this reserve to build capital for long-range project, or funds may be used to cover unanticipated expenses. Included in this reserve are funds to cover the cost of a ILS migration. Benchmark: \$500,000
- **Compensated Absences:** A reserve fund to cover the pay out of vacation and sick time owed to those staff over the age of 55. Benchmark: Calculated at the time of each audit.
- **SirsiDynix Buyout Reserve:** A reserve fund to cover the cost for WALS to break their contract with SirsiDynix. Benchmark: To cover the cost of a buyout three years or less from the end of the contract, equally to around \$380,000.

### Winnefox Cooperative Technical Services (WCTS) Reserve Fund

#### Composition:

The WCTS LGIP will include the following accounts: Capital Reserves, and Compensated Absences, along with an undesignated fund. Excess funds from the WCTS' checking account will be first moved to the undesignated LGIP funds; these funds may be distributed to other designated funds, per the board's approval. These accounts will be populated through the unexpended funds from the WCTS Budget, along with the interest those funds earn.

- **Capital Reserves:** A reserve fund covering large equipment expenses that WCTS services rely on. Operating funds may be added to this reserve to build capital for long-range project, or funds may be used to cover unanticipated expenses. Benchmark: \$20,000
- **Compensated Absences:** A reserve fund to cover the pay out of vacation and sick time owed to those staff over the age of 55. Benchmark: Calculated at the time of each audit.

### Use of Reserves

The Winnefox Library Board will receive a fund balance report at each regular board meeting. The WLS Board designates the WLS Director and the WLS Business Manager spend from each of the three reserve funds (WLS, WALs, and WCTS) without board approval, but shall not exceed \$5,000 per account per year. All other expenditures from reserve funds must be approved by the Winnefox Board of Trustees. Before making a request, the WLS Director shall confirm that the use of reserves aligns with the purpose described in this Policy.

Distribution of unspent funds from the previous year into designated accounts will be discussed by the Finance Committee and approved by the WLS Board at the May meeting. The Finance Committee and WLS Director may discuss other uses of undesignated funds and bring proposals to the WLS Board at any time. These uses may include supporting the Winnefox Advantage collection, providing direct funding to member libraries for specific needs, or supporting WLS staff morale or education