

## **Fund Balance Policy**

### Outagamie Waupaca Library System

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 policy of the system that unspent funds will be committed for specific purposes upon the close of each budget year. The purpose of reserve funds is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization and to provide a source of funding for unexpected, emergency expenses, including the shutdown of system operations in the case of a dissolution of the library system by a legislative act or another event or nonpayment of fees by OWLSnet consortium members. Reserve funds are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. OWLS maintains an OWLS reserve fund and an OWLSnet reserve fund.

### **OWLS Reserve Fund**

#### **Definition and Purpose**

An operating reserve fund established to offer cash flow management in the event of unanticipated expenses, demands on resources, or in pursuit of new opportunities. The OWLS Reserve Fund enables a flexible and responsive strategy for the management of unexpected events.

#### **Benchmark**

35% of OWLS annual operating budget

#### **Notes**

Examples of appropriate uses of OWLS Reserve Funds include possible expenses related to facility repairs and upgrades, personnel transitions, replacement of equipment, and hiring outside subcontractors or consultants for special projects. Shutdown considerations include lease liabilities and payout of accrued PTO. Reserve funds may also be used for one-time costs related to major projects or implementation of new services.

*Adopted 11-16-2023*

## **OWLSnet Reserve Fund**

### **Definition and Purpose**

An operating reserve fund established to offer cash flow management in the event of unanticipated expenses, temporary revenue shortfalls, demands on resources, or in pursuit of new opportunities. The OWLSnet Reserve Fund enables a flexible and responsive strategy for the management of unexpected events.

### **Benchmark**

50% of OWLSnet annual operating budget

### **Notes**

Examples of appropriate uses of OWLSnet Reserve Funds include expenses related to planned replacement of the Integrated Library System (ILS), future enhancements to the ILS and related services, periodic renewals of multi-year licensing/maintenance agreements, disaster recovery, network infrastructure repairs and upgrades, personnel transitions, replacement of equipment, and hiring outside subcontractors or consultants for special projects. Shutdown considerations include contract terminations and payout of accrued PTO. Reserve funds may also be used for one-time costs related to major projects or implementation of new services.

## **Funding of Reserves, Use of Reserves and Replenishing Fund Balance Shortfalls**

The OWLS Fund Balance shall be supported by surplus unrestricted operating funds upon approval by the OWLS Board of Trustees. Any OWLSnet budget excess is automatically applied to the OWLSnet Reserve Fund.

The OWLS Board of Trustees must approve all expenditures from the OWLS reserve funds. Prior to the request, the OWLS Director shall confirm that the use of reserves is consistent with the purpose of the reserves as described in this Policy. In the event of an emergency, authority to expend or otherwise authorize the use of funds is delegated to the OWLS Director. The OWLS Director must make a reasonable effort to consult with the OWLS Board officers prior to expending funds. Emergency use of Reserves shall be reported to the OWLS Board of Trustees at their next scheduled meeting.

*Adopted 11-16-2023*

Should the use of reserves deplete the fund balance to an amount below benchmarks approved by the OWLS Board of Trustees, a repayment plan will be established within 60-days of allocation from the reserve and a best effort must be made to replenish the reserve as soon as it is financially feasible and practical to do so. If the reserve cannot be replenished by the next annual budget, a repayment plan not to exceed five years is recommended.

### **Accounting and Reporting**

Reserve funds will be commingled with OWLS general cash and investment accounts. The OWLS Director shall provide a report on reserve funds to the OWLS Board annually following completion of the audit.

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