

FUND BALANCE POLICY

PURPOSE

The Board of Trustees [Board] of the Watertown Public Library [Library] is committed to fiscal responsibility and to serving as a prudent steward of all funds collected, donated or appropriated for library purposes [Library Funds or the Library Fund]. Chapter 43.58 of the Wisconsin Statutes grants the Board exclusive control over the expenditure of all Library Funds. The Library Fund is segregated into separate sub-accounts for purposes of carrying on certain activities and the Library Funds therein are further classified into separate categories as discussed below.

The Board strives to use all Library Funds as budgeted each fiscal year. As used herein, "Fund Balance" is defined as the difference between the Library Fund's assets and liabilities, at any given time, representing the net resources available for expenditure. "Excess Funds" are calculated as total revenues minus total expenditures to and from the Library Fund, in a given fiscal year, and represent unspent Library Funds eligible for carryover to the following fiscal year.

Maintaining an appropriate Fund Balance in the Library's unassigned library fund is a core component of fiscal responsibility and is essential to Library's fiscal stability. This provides stability and financial support by:

- Ensuring consistent operational cash flows;
- Covering revenue shortfalls;
- Providing emergency operational funds for building maintenance or equipment repairs;
- Providing emergency operational funds for unexpected expenses, such as mid-year benefit adjustments, contract increases, uninsured casualty events, or unexpected weather events.

CLASSIFICATION OF FUND BALANCES

The Library Funds within the Fund Balance shall be further classified into the following categories,

1. **Restricted**— Funds legally or externally restricted for specific purposes, including through grants, laws, regulations, or donor-imposed limitations.
2. **Reserved**— Funds the Board has formally designated for specific purposes through official action, including funds committed for use in satisfying contractual obligations. This includes budget allocations for specific projects or needs. These funds cannot be reallocated without further Board approval.

3. **Unreserved** – The residual funds in the general fund not classified elsewhere, available for general use

DONATIONS

The Library accepts cash donations for both reserved and unreserved uses. Donated funds with a mutually agreed-upon purpose between the donor and the Board will be classified as **restricted**. All other donations, whether by gift, devise, or bequest made to the Library, but without a specified purpose, will initially be classified as **reserved**, as such funds are to be held in trust for library purposes, until the Board formally commits them to a specific use.

Donated funds shall not be used to cover general Library operational expenses, including salaries, utilities, or routine maintenance, unless expressly directed as such by the donor.

MINIMUM/MAXIMUM UNASSIGNED FUND BALANCE

At fiscal year-end, all Excess Funds shall carry forward to the succeeding fiscal year and be assigned to the appropriate Fund Balance classification.

The Board will review the Fund Balance's status following receipt of the city's annual audit report, comparing the funds within the Fund Balance classified as "unreserved" to the Library's current total operating budget. The goal is to maintain the unreserved portion of the Fund Balance between **20%** to **25%** of the Library's operating budget.

- If the unreserved portion of the Fund Balance falls below **20%** of the annual operating budget, the Board will develop a plan, as part of the budget process, to restore compliance.
- If the unassigned portion of the Fund Balance exceeds **25%** of the annual operating budget, the excess amount will be applied to the following year's operations budget.

The foregoing policy expresses the Board's general policy for purposes of Fund Balance decision-making and budgetary planning. However, the Board reserves the right to amend this policy or to decide matters concerning the Library's expenditures and finances in contravention of this policy, as specific circumstances may require from time-to-time.