



Reserve Funds

Last modified **OCTOBER 18 2023**

The Rowan County Public Library (“the Library”) Board of Trustees is responsible for allocating the Library’s reserves into funds designated for specific purposes, bearing in mind both current and future library services. The Board supports the Library’s fiscal sustainability as its first priority when maintaining assets for reasonable projected future needs, as having an adequate level of assets is crucial to long-term maintenance of the Library’s physical properties and services. These funds also support the future expansion of Library premises, facilities, programs, and services as community needs change over time. Likewise, adequate reserves deter unnecessary borrowing and will improve the Library’s credit rating if borrowing becomes necessary.

This policy guides the Board in providing financial stability by ensuring sufficient cashflow for day-to-day operations, allowing the Library to respond to emergencies; to replace and/or repair Library property as needed; and to add to capital assets in a timely manner. This policy is consistent with Kentucky Public Library Association (KPLA) standards and serves taxpayers by defining the need for current assets held by the Library. To accomplish these goals, the Board has established reserve funds as outlined herein, and will distribute current assets to these reserve funds as set out herein. The following reserve targets should be reevaluated on a regular basis to ensure they remain adequate. Monies may be reapportioned among the various reserve funds as forecasted needs change.

OPERATIONAL RESERVE

By statute, the Library’s fiscal year begins July 1, with the bulk of assigned and/or intended revenues expected to arrive six (6) months later, in December. To bridge this funding gap, the Board shall ensure that this fund contains monies at the end of each fiscal year sufficient to sustain Library operations and associated expenditures for not less than seven (7) months.

EMERGENCY RESERVE

This fund will be used in the event of unforeseen emergencies such as, but not limited to:

- Unusually late tax collection and/or late distribution of tax monies; and/or
- replacement or major repairs to systems such as facility roofs or HVAC; and/or



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- any other circumstance that would hinder the normal operations of the Library.

The Board shall maintain no less than \$100,000.00USD in this fund, which amount should be evaluated annually to confirm its adequacy in dealing with potential emergencies.

CAPITAL FACILITY RESERVE

This fund will be used to support long-term capital improvements including, but not limited to, major furniture replacement(s), vehicle purchase(s) or replacement(s), and/or construction projects forecasted to occur over the next 10 years. The Board may consult with third-party financial advisors, architects, and/or other consultants to determine capital needs through a rolling 10-year period.

This fund may also be used to settle bonds issued for construction and/or land acquisition projects.

Monies will be added to this fund as they are available after other funds have met their target minimums and/or goals, as specified herein. An amount equal to three percent (3%) of total annual expenditures will be added to this fund per fiscal year. Should a large capital construction project enter an active planning process, this policy will be updated or appended to reflect appropriate financial preparation for that project.

TECHNOLOGY RESERVE

This fund will be used to support technological improvements to the Library, to its premises and facilities, and to its services, including but not limited to:

- Replacement of staff and/or patron computers, servers, printers, copiers, office centers, etc.; and/or
- replacement of facility alarm and/or security systems; and/or
- replacement of infrastructure related to the operation of such devices and systems.



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Monies will be added to this fund as they are available after other funds have met their target minimums and/or goals, as specified herein. An amount equal to one percent (1%) of total annual expenditures will be added to this fund per fiscal year.

EVALUATION

Once reserve funds have met their target minimums and/or goals, as specified herein, total Library income should be examined with assistance from a qualified financial planner to project ongoing needs. If income is projected to regularly exceed what is required for expenditures and the reserve goals herein enumerated, the Board should then consider a plan to adjust tax rates over time to more accurately match Library income with budgetary needs.