



RESERVE POLICY

Policy Number: 2022-011
Approved: September 2022
To be reviewed: September 2025

Purpose or intent:

The Town of Trochu Library Board may establish one or more reserves to ensure the stability of the mission, programs, employment and ongoing operations of the Trochu Municipal Library. The reserve is intended to provide a source of internal funds for library priorities but is not intended to replace a permanent reduction in funding or eliminate an on-going budget gap. The Reserve Policy will be implemented in concert with other governance and financial policies of the Library Board and is intended to support the goals and strategies contained in related policies and in strategic and operational plans.

Policy Statement(s):

The Town of Trochu Library Board may establish any of the following types of reserve:

- A. Operational;
- B. Building and Capital Asset; and,
- C. Opportunity.

Each Reserve is established by Board Motion and is reported in financial reports.

The use of Reserve funds requires a Board Motion to place a specified amount - which might be a portion or the total of a reserve - into a specific appropriate budget category.

Definition, Procedure and Target of each Reserve

A. Operating Reserve

- a. An Operating Reserve is a designated fund set aside by the Board intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss of funding, or uninsured losses.
- b. When the Operating Reserve is used, plans are put into place to replenish the funds within a short period of time (generally within 12 months).
- c. The Operating Reserve is established by Board motion with a minimum amount sufficient to maintain operations and programs for a set period of months.
- d. The target minimum Operating Reserve is equal to 6 months of average operating costs. The calculation of average operating costs includes all predictable, recurring expenses [salary and benefits, utilities, office supplies, phone and internet expenses, etc.]
- e. The amount of the Operating Reserve Fund target minimum will be calculated each year after taking into account the projected revenues and expenses; the amount may have to be adjusted as the year progresses.



B. Building and Capital Asset Reserve

- f. The Building and Capital Asset Reserve is intended to provide a ready source of funds for repair, renovation or acquisition of buildings, leaseholds, furniture, fixtures and equipment necessary for the effective operation of the Library.
- g. The target amount of the Building and Capital Asset Reserve will be determined by the project plan and financial requirements for Building or Capital Assets.
- h. This fund may be the source of capital in order to access other grant opportunities that arise; many grant applications require “matching funds” from the applicant.

C. Opportunity Reserve

- i. The Opportunity Reserve is intended to provide funds to meet special targets of opportunity that further the mission of the Library Board which may or may not have specific expectations (e.g. book purchases, special program initiatives.)
- j. The target amount of the Opportunity Reserve will be determined by Board motion which will also note the specific expectations if applicable.

Accounting for Reserves

- k. Reserve funds will be recorded in financial records including the annual budget as Board-Designated [specific] Reserve.
- l. The Reserve funds will be commingled with the General Accounts and do not require segregated accounts.

Funding of Reserves

- m. The Operational Reserve will be funded by surplus unrestricted operating funds. The Board may from time-to-time direct that a specific source of funding be set aside for the Operating Reserve. Examples could include one-time gifts or bequests or special grants.
- n. The Building and Capital Assets Reserve will be funded by setting aside funds received from capital campaigns or similar appeals. The Board may also set aside a calculated annual amount equivalent to depreciation or some other calculation.
- o. The Opportunity Reserve will be funded through a special designation such as a donation specifically for books or some identified program that the Board authorizes.

Reporting and Monitoring

- p. The Treasurer and the Finance Committee will review and monitor each of the established reserves for compliance with the intended use, targets, and other related policies and report to the Town of Trochu Library Board at minimum on an annual basis.



- q. The Treasurer is responsible for ensuring that the Reserve Funds are maintained and used only as described in the Board Motion. The Treasurer, assisted by the Library Manager, will maintain records of the use of funds and the plans for replenishment. The Treasurer will report on the Reserve funds as required for Provincial reporting.

Pam Bezanson, Library Chairperson

Date