



## Operations, Restricted Funds, Endowment & Other Funds, and Gifts

### Purpose

The purpose of this policy is to guide the Library Board in the use of library funds in a planned, responsible way, to sustain the operation of the Library and ensure its continued financial health into the future. This policy provides a framework for the management of library funds, a mechanism for transfer of funds to the endowment, a more clear definition of how the endowment funds operate, and a mechanism for donors to contribute to the library for general or specific purposes.

### Governance

Grand Marais Public Library is a member of the Arrowhead Library System and is funded jointly by the City of Grand Marais and Cook County, Minnesota. The City of Grand Marais serves as the fiscal agent, and owns the building and facilities that house the library.

### Funding

Grand Marais Public Library is jointly funded by an agreement between the City of Grand Marais and Cook County, Minnesota. Monies allocated to the library are available as follows:

#### 1. Allocation of Funds

##### A. Operations and Unassigned Funds

##### 1. Account 211 – Operating Fund

- a) This account contains public tax dollars approved each budget year by the Library Board, the City Council, and the County Board, according to the Joint Powers Agreement, to fund the operation of the Library. Funds remaining at the end of each budget year are carried over to the next year.
- b) The Grand Marais Public Library retains a fund balance in the 211 account up to 6 months operating budget (for upcoming budget year.)
- c) If the balance carried forward drops below 3 months operating budget, the board may consider action to replenish the balance.

##### B. Restricted Funds (Capital Reserve)

##### 1. Account 215 – Restricted Fund

- a) These accounts are comprised of donations to the Library and grants.
- b) Some funds are designated by the donor for specific purposes and some are not.
- c) Any funds not spent in a given year carry over and accrue until needed for expenditures as designated by the Library Board.
- d) A minimum balance is to be maintained in this account.
  - I. \$10,000 Insurance deductible



- II. \$20,000 Computer replacement
- III. The balance to be considered exigency (to keep the library operating in catastrophic circumstances.)
- IV. The balance should not drop below 6 months operating.
- e) Possible uses for these funds include, but are not limited to:
  - I. Grounds
  - II. Building
  - III. Furniture & Equipment
  - IV. Collection Expansion
  - V. Technology
  - VI. Expansion of Services
  - VII. Security
  - VIII. Programs & Shows
  - IX. Marketing Campaigns
  - X. Other non-salary unanticipated expenses as may arise

## **2. Account 216 – Hazel Matthews Fund.**

- a) This account is a bequest from Hazel Matthews to the City of Grand Marais to be held in trust for future needs of the library.
- b) Monies from this account are to be used in such manner that it does not lessen any, or substitute for, monetary support from the state, county, city or any other source of public funds.
- c) Possible uses include, but are not limited to:
  - I. Staff development
  - II. Exploration and trial demonstrations of new services
  - III. Certificates of deposit and other investment vehicles
  - IV. Professional consultant fees
  - V. Endowment fund building

## **C. Duluth-Superior Area Foundation**

### **1. Grand Marais Public Library Endowment Fund**

- a) Fund established by GMPL.
- b) Monies contributed by private parties.
- c) Use of income distributed to library is unrestricted.

### **2. Grand Marais Public Library Endowment Fund (Agency)**

- a) Monies contributed by the Grand Marais Public Library.
- b) Use of income distributed to library is unrestricted.

## **D. Duluth-Superior Area Foundation (Family Funds)**

### **1. Harris Trust**

- a) Established by a private party.
- b) GMPL is one of several beneficiaries.
- c) Distributions are made according to a formula.
- d) Use of monies distributed to library is unrestricted.

### **2. Urhammer Fund**

- a) Established by a private party.
- b) GMPL is the sole beneficiary.
- c) Distributions are to be used to purchase children's materials.

## **E. Minnesota Community Foundation**

# Financial Policy



## **1. Grand Marais Public Library Endowment Fund**

- a) Fund established by Grand Marais Public Library.
- b) Use of monies is unrestricted.

## **2. Gifts**

A. The library accepts gifts made to enhance programs at the library, or to be invested for future use.

B. Gifts accepted include:

**1.** Cash, securities or real property.

- a) Bequests in a will.
- b) Gift of life insurance proceeds.
- c) Charitable or living trust.

**C. Tax benefits**

**1.** A gift to the Grand Marais Public Library endowment funds may provide substantial tax benefits to a donor.

**2.** Please consult with an attorney or a tax accountant as to your individual situation regarding taxes when considering a donation to the library.

The Grand Marais Library Board reviews all policies within a five year timeline or as deemed necessary.