

Joseph T. Simpson Public Library
Designated Fund Policy
Adopted June 11, 2013
Revised January 10, 2017

Designated funds are resources received by Joseph T. Simpson Public Library that may or may not have limitations or stipulations placed on them by external agencies or donors but are internally restricted by the Joseph T. Simpson Public Library board for a specific purpose. Currently, the Joseph T. Simpson Public Library has six designated funds:

1. Operating Fund

- **Purpose:** The purpose of the Operating Fund is to have funds available for the general operations of the library throughout the budget year.
- **Anticipated Uses:** Operating funds are used for budgeted items approved during the budget process. Income covers all budget categories in the approved operating budget. Expenses cover items such as payroll, materials purchases, building maintenance, supplies, fundraising expenses, utilities, and program expenses.
- **Fund Amount Based Upon:** The fund amount is based on the anticipated income and expenses for the budget year.
- **Who Approves Fund Use:** The Board of Trustees approves the fund use through the adoption of the annual budget.
- **Investment of Fund:** The Finance Committee is authorized to invest library funds as delineated below:
 - a. U.S. Treasury Bills and Notes
 - b. Time deposit accounts - certificates of deposit (CD's) issued by local financial institutions
 - c. Demand deposit accounts (checking or money market accounts) established by local financial institutions
 - d. Investment Account - Investment firm or manager(s) retained by the Library via Request for Proposal process. Eligible funds with funding levels, level of risk, risk tolerance and investment vehicles will be set and reviewed annually (November) by Finance Committee.
 - e. Endowment (upon approval after annual audit, at direction of the Board).
- **Fund Income:** Income derived from the operating fund is kept in the operating fund.

2. Operating Reserve Fund

- **Purpose:** The purpose of the Operating Reserve Fund is to have funds available to replace unexpected shortfalls in budgeted income or to meet unexpected, yet necessary, expenses.
- **Anticipated Uses:** In recent years, the Commonwealth has sometimes delayed making state aid payments at the beginning of the calendar year; or due to cash flow problems, the Cumberland County Government has sometimes delayed payment of anticipated library tax funds. In those cases, the Cumberland County Library System board approved the use of CCLS's contingency funds to replace state aid or county funds to ensure that the system administrative office and member libraries have sufficient income to operate. Then, when the state or County payments were received, the 90-Day Contingency Funds were replaced. Even with contingency funds from CCLS, it is possible that Simpson Library could need to draw on their operating reserve if the expected government income is not received in a timely fashion. In years when we anticipate ending the year with a deficit, operating reserve funds would be used to cover the shortfall.
- **Fund Amount Based Upon:** The recommended fund balance is based on a minimum of three months of budgeted general library operating budget expenditures.
- **Who Approves Fund Use:** Any expenditures from the Operating Reserve Fund must be approved by the Library Board of Trustees.
- **Investment of Fund:** The Finance Committee is authorized to invest library funds as delineated below:
 - a. U.S. Treasury Bills and Notes
 - b. Time deposit accounts - certificates of deposit (CD's) issued by local financial institutions
 - c. Demand deposit accounts (checking or money market accounts) established by local financial institutions
 - d. Investment Account - Investment firm or manager(s) retained by the Library via Request for Proposal process. Eligible funds with funding levels, level of risk, risk tolerance and investment vehicles will be set and reviewed annually (November) by Finance Committee.
 - e. Endowment (upon approval after annual audit, at direction of the Board).
- **Fund Income:** Any income derived from the fund may be budgeted for library operating purposes as approved by the library board or kept in the operating reserve fund.

3. Capital Fund

- **Purpose:** The Capital Fund is designated for any major capital needs related to building upkeep and maintenance. A portion of the Capital Fund may also be used for future expansion of the library.
- **Anticipated Uses:** It is anticipated that these funds will be used for roofing repairs, HVAC repairs and upgrades, telephone upgrades, technology upgrades, exterior stone work, signage repair and upgrades, concrete repair, parking lot repair and expansion, carpet repair and replacement, security and safety upgrades, and any other building maintenance issues that may arise.
- **Fund Amount Based Upon:** The basis for the amount of money in this fund shall be determined by the long range maintenance plan and should be maintained at a level to insure funds are available to meet maintenance needs. A recommended level of funding is \$200,000.
- **Who Approves Fund Use:** Any expenditures from the Capital Fund must be approved by the Executive Director and Treasurer in the case of building upkeep and maintenance. Major expenditures for capital projects must be approved by the Library Board.
- **Investment of Fund:** The Finance Committee is authorized to invest library funds as delineated below:
 - a. U.S. Treasury Bills and Notes
 - b. Time deposit accounts - certificates of deposit (CD's) issued by local financial institutions
 - c. Demand deposit accounts (checking or money market accounts) established by local financial institutions
 - d. Investment Account - Investment firm or manager(s) retained by the Library via Request for Proposal process. Eligible funds with funding levels, level of risk, risk tolerance and investment vehicles will be set and reviewed annually (November) by Finance Committee.
 - e. Endowment (upon approval after annual audit, at direction of the Board).
- **Fund Income:** Any income derived from the fund may be budgeted for library capital purposes as approved by the library board.

4. Endowment Fund

- **Purpose:** The purpose of the Endowment Fund is to provide a source of income to help provide library resources for future generations of library users. The Endowment Fund is managed by the Mechanicsburg Area Foundation, a regional foundation of the Foundation for Enhancing Communities.
- **Anticipated Uses:** The Board of Trustees determines if income earned will be reinvested in the fund or used general operations.
- **Fund Amount Based Upon:** There is no basis for the amount of money in the fund at this time. The Endowment Fund was established in 2011 with money remaining from a bequest to purchase sculpture for the library. Additional bequests and donations have been added to the fund since its inception.
- **Who Approves Fund Use:** The principal in this fund can't be used. The board determines if large donations, such as bequests, if not restricted by the donor, will be placed in the Endowment Fund or in another fund.
- **Investment of Fund:** The funds are invested through the Mechanicsburg Area Foundation and our current investment allocation is 70% Equity and 30% Fixed Income. The Board of Trustees can change this allocation formula once a year, no later than December 31st.
- **Fund Income:** The Board of Trustees determines if income earned will be reinvested in the fund or used for current library needs.

5. Joseph T. Simpson Public Library Book Fund

- **Purpose:** The purpose of the Book Fund is to provide a source of income to purchase library materials. The Book Fund is managed by the Mechanicsburg Area Foundation, a regional foundation of the Foundation for Enhancing Communities.
- **Anticipated Uses:** The Board of Trustees determines if income earned will be reinvested in the fund or used for current purchases of library materials.
- **Fund Amount Based Upon:** This fund was established in 2000 through a \$25,000 bequest from George S. Higginbotham to purchase books for the library. George and his wife, Florence, were avid readers and loyal library patrons. He created this endowment as a meaningful way to his wife and himself to be remembered. The Book Fund has declined greatly in value but is slowly growing again.
- **Who Approves Fund Use:** The principal in this fund can't be used.
- **Investment of Fund:** The funds are invested through the Mechanicsburg Area Foundation and our current investment allocation is 70% Equity and 30% Fixed Income. The Board of Trustees can change this allocation formula once a year, no later than December 31st.
- **Fund Income:** The Board of Trustees determines if income earned will be reinvested in the fund or use for current purchases of library materials.

6. Olivia Louise Straub Library Endowment Fund

- **Purpose:** The net income from the Fund shall be used by the Library for the sole purpose of supporting its acquisition of books for readers of all ages which may increase understanding or appreciation of nature or of the relationships between human life and the natural environments. In the acquisitions, the preference shall be given to books in print, but should other book formats evolve, some acquisitions also may be made in them. Acquisitions may include, but are not limited to, works in history, philosophy and religion, politics and economics, local and regional studies. An appropriate bookplate shall be struck to mark the collection.
- **Anticipated Uses:** Income will be used to purchase materials as described above under Purpose.
- **Fund Amount Based Upon:** This fund was established in 2007 by Dr. Carl Benton Straub as a loving tribute to his mother, Olivia Louise Straub, who taught him to read. Mrs. Straub lived in Mechanicsburg for nearly 90 years. This fund will be funded upon Dr. Straub's death. At this time, there is no balance in the fund.
- **Who Approves Fund Use:** The principal in this fund can't be used.
- **Investment of Fund:** The funds, once received by Dr. Straub, will be invested through the Mechanicsburg Area Foundation using an investment allocation approved by the Board of Trustees at that time.
- **Fund Income:** Income will be used to purchase materials as described above under Purpose.