

Financial Policy

Last reviewed by Library Board: 7/2022, 8/2022
Approved by Library Board: 11/2022

Background:

Finances for public libraries in Wisconsin are more involved due to the separation of board oversight per Wisconsin state statute 43.58.1 Per statute, all monies allocated to a public library by a municipality during a fiscal year, through private donation, or through grants and other revenue, are held and controlled by the library board in perpetuity, not returned to a general fund or otherwise managed by other governing bodies. This often results in fiscal management systems unique to each library and each municipality under which the library is formed. The Edward U. Demmer Memorial Library of the Town of Three Lakes is no exception. The intent of this document is to outline and summarize current fiscal management practices and provide a starting point for reviewing and revising those practices to assure transparency and fiscal responsibility.

1. Sources of annual operating revenue – restricted use

A. Municipal – Town of Three Lakes

The majority of the annual operating budget of the Edward U. Demmer Memorial Library comes from tax levy appropriated by the Town of Three Lakes. Whereas funds that are appropriate to the library by the municipality must remain under library board control and not returned to a general fund, any unspent funds at the end of a fiscal year are transferred to a non-lapsing account for the library. See 3. Edward U. Demmer Memorial Library non-lapsing accounts for further explanation of how these funds are designated for use.

Approximately 80% of the standard operating revenue

B. Municipal – Oneida County

The second largest source of annual operating revenue comes from Oneida County through library tax funds, which are exempt from county property tax levy (similar to ambulance funding). This tax is funded by the “unlibrared” municipalities – those towns within the county that do not support a local public library directly. Per state statute, the county is only required to reimburse 70% of the cost of circulating materials2 to residents of those unlibrared towns.

However, due to the closure of the Oneida County Mailbox Library in 1994, and for other historic reasons, Oneida County has funded Oneida County libraries above and beyond the statutorily required limits.

1 https://docs.legis.wisconsin.gov/statutes/statutes/43/58

2 Or “cost per circ.” Calculated by dividing the library’s entire operating expenses by the number of circulations in the previous year as reported in the library’s annual report to the Department of Public Instruction.

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These funds are deposited with the Town of Three Lakes and used to offset the tax levy for operational expenses.

Approximately 15-18% of standard operating revenue

C. Cross border circulation reimbursement

Similar to the Oneida County reimbursement for circulations to unlibrariied residents, libraries in the State of Wisconsin can request reimbursement from neighboring counties for cost of circulating materials to their non-librariied residents. For the Demmer Library this is mainly circulations to residents in Forest County and Lincoln County for residents of towns other than Crandon, Tomahawk, or Merrill. While the Demmer circulates a notable number of materials to the towns of Lincoln and Washington and residents of the city of Eagle River and other Vilas County communities, plus residents of Elcho and other Langlade County communities, these communities are technically already “librariied” as they are under contract with other municipalities to provide library service. Therefore the Demmer can only request reimbursement from Lincoln and Forest counties, of which Forest County is the bulk of those reimbursements.

These funds are deposited with the Town of Three Lakes and used to offset the tax levy for operational expenses.

Approximately 1-2% of standard operating revenue

D. Other local private revenue

The Demmer Library board of trustees has developed agreements with other local entities to receive revenue to support specific programs or collaborative efforts. These include the Three Lakes School District and Town of Sugar Camp in support of the Story Hour and early child literacy programs held in each community, the Three Lakes Historical Society for shared staff time, and occasional grants for specific projects.

These funds are deposited with the Town of Three Lakes and used to offset the tax levy for operational expenses.

Approximately 2 – 3% of standards operating revenue.

2. Edward U. Demmer Memorial Library non-lapsing account

Per Wisconsin statute chapter 43.58, funds that have been appropriated to a public library must remain in a library board’s control and are not returned to a municipal general fund. Therefore, the Town of Three Lakes maintains a non-lapsing account specifically for unused revenue from the Demmer Library’s operating budget.

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While some public libraries in the state of Wisconsin do specifically plan a budget request including an annual “set-aside” (a pre-determined amount designated to a long-term capital account for use on future capital projects), that has not been the philosophy in budgeting with the Town of Three Lakes and the Demmer Library. The Demmer Library board of trustees and the library director present a needs-based operating budget requesting only the operating funds required for the next fiscal year.

However, unanticipated circumstances arise where there may be unused operating funds at the end of the fiscal year. In this case funds will be deposited into the operational non-lapsing account.

The library board has control over how these funds can be used.

Operations non-lapsing account can be used to support major expenditures that require more funds than available for the specific purpose during a fiscal year. Examples of ways in which the operations non-lapsing funds can be used, but not limited to, include:

- Start-up costs for establishing new ongoing contract/service
- Hiring temporary help, subcontractors, or other professionals to complete a service or contract
- Investment in infrastructure
- Staff development that goes beyond the funds available in the operating budget

If the balance of the operational non-lapsing account should reach \$10,000, any additional unused operating funds will be applied as revenue to offset tax levy for the upcoming fiscal year’s operating budget.

3. Sources of revenue – restricted/unrestricted funds, not available for standard operations

A. Copier/fax and fines income

The Demmer Library collects funds in exchange for copier and faxing services and for late fees. State sales tax may be paid on the copy and fax revenue.

These funds are deposited with the Town of Three Lakes and held in a separate “non-lapsing” account *that is not used towards routine operating expenses*. These funds are directly under library board control and historically have been used towards capital projects such as replacing photocopier equipment.

B. Private donations

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The Demmer Library occasionally receives private donations from individuals or organizations for various purposes including memorials, projects, or non-restricted use. These funds can't be counted on as reliable revenue, may come with donor restrictions, and are not factored into routine operational budgets.

The Edward U. Demmer Memorial Board of Trustees has direct control over these funds which are currently held in separate bank accounts³ managed by the library board treasurer and library director. Expenditures are approved at monthly board meetings.

C. Demmer Trust

The Demmer Trust was established in 1981 and as of 2022, is managed by U.S. Bank in Milwaukee. The trustees of the Demmer Trust are independent of the Demmer Library board of trustees and any library staff. Proceeds from the trust are dispersed annually to the Demmer Library and are restricted in use, "only for purposes of repair, maintenance, expansion, or rehabilitation or similar purposes and are not at any time for books, salaries or similar operating expenditures."⁴

Annual income from the trust is deposited in the Demmer Library maintenance account with oversight by the Demmer Library board of trustees.

D. Three Lakes Public Library Foundation

The Three Lakes Public Library Foundation was established in 2003 for the purposes of "enhancing the value of the Edward U. Demmer Memorial Library as a community resource. The Foundation helps develop lifelong learning in Three Lakes through advocacy and the securing of funds." The TLPLF is an independent 501(c)3 with a foundation board, one member being a Demmer Library trustee and the library director attends meetings.

The purpose of the TLPLF is to "selectively support positive, high quality activities such as adult and children's learning programs, public access computer hardware and software, special collections, library furnishings and continuing education for library staff."

Control of privately raised and held foundation funds lies solely with the foundation and managed by the foundation treasurer. Requests for support are made by the library director or library trustees and voted on by the TLPLF board. Funds may be delivered to the Demmer Library or paid directly to vendors or service providers.

³ See attachment – list of bank accounts

⁴ See attachment – Three Lakes Edward U. Demmer Memorial Library Endowment Trust document

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Attachment: List of current bank accounts under Demmer Library Board control, 2022

Special Donation Account: Income: donations, memorials, fund raising, fine/copier/fax revenue
Expense: donation/memorial/fine expenses, coffee cart supplies, special donation expenses, items purchased with debit card and reimbursed from Town account.

2022: two accounts, one at BMO Harris Bank, one at Nicolet Bank

Money Market Maintenance: funds remaining from Demmer Trust funds allocated for major maintenance project in 1998 and additional funds from Demmer Trust annual disbursement.

2022: one account at BMO Harris Bank

Former Friends: funds raised and previously maintained by the Friends of the Demmer Memorial Library until August 2016. Used to support programs that benefit the Demmer Library or the used book sale.

Income: quarterly book sales.

2022: one account at BMO Harris Bank

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Attachment: Three Lakes Edward U. Demmer Memorial Library Endowment Trust

THREE LAKES EDWARD U. DEMMER
MEMORIAL LIBRARY ENDOWMENT TRUST

THIS DECLARATION OF TRUST made this 1st day of October, 1981 by First Wisconsin Trust Company, of Milwaukee, Wisconsin, Gertrude M. Puelicher and Jane Van Kirk (herein collectively referred to as the "Trustees").

ARTICLE I

Establishment and Name

The Trustees hereby adopt and establish this Trust to be known as the Edward U. Demmer Memorial Library Endowment Trust, declare themselves Trustees thereof, and agree to hold and dispose of all property transferred thereto upon the terms and conditions herein set forth.

ARTICLE II

Purposes of Trust

This Trust is organized and shall at all times be operated exclusively to carry out the literary and educational purposes of the Town of Three Lakes, Wisconsin, as more fully set forth hereunder, and shall at all times be operated, supervised, or controlled by or in connection with

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the aforesaid Town of Three Lakes, and shall at no time be controlled directly or indirectly by one or more "disqualified persons" (as defined in Section 4946 of the Internal Revenue Code of 1954, as amended) other than the Trustees hereof and other than the aforesaid Town of Three Lakes, Wisconsin.

The literary and educational purposes of the aforesaid Town of Three Lakes which the Trustees of this Trust shall carry out are the support of the Edward U. Demmer Memorial Library owned by the Town of Three Lakes, Wisconsin. The Trustees shall solicit and receive contributions to this Trust and shall hold such contributions as principal of an endowment fund for the benefit of such Library. The Trustees shall pay the income from such endowment fund at least annually to or for the benefit of such Library, but only for purposes of repair, maintenance, expansion, rehabilitation or other similar capital purposes and not at any time for books, salaries or similar operating expenditures. The term "income" shall generally be construed under the Wisconsin Uniform Principal and Income Act, or any successor provision

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thereto, as in effect from time to time, but shall under no circumstances include capital gains [other than gains on sale or redemption of short-term money instruments such as U.S. Treasury Bills and discount notes of 12-month or less duration].

The Trust shall not be operated for profit or for any purpose or activity other than one permitted to be carried on by an organization described in Sections 170(c), 501(c)(3), 2055(a) and 2522(a) of the United States Internal Revenue Code, as amended, or similar successor provisions thereto, and the foregoing objects and purposes of the Trust, and the powers of the Trustees hereunder are each and all subject to such limitations and the further limitation that no part of the net earnings of the Trust shall inure to the benefit of any private individual within the meaning of Section 501(c)(3) of the United States Internal Revenue Code (but reasonable compensation and reimbursement of Expenses for services may be paid to the corporate

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Trustee hereunder, but not any individual Trustee, and/or any corporation, partnership or other entity with which such corporate Trustee is affiliated), and that no substantial part of the activities of this Trust shall consist of carrying on propaganda, or otherwise attempting to influence legislation, nor shall the Trust participate in, or intervene in (Including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office.

ARTICLE III

Powers of Trustees

The Trustees shall (to the extent permitted hereunder to exercise such powers and only for the purpose of carrying out the purposes of this Trust) have all powers conferred upon trustees by law, including without limitation the following powers:

- (a) To accept gifts, contributions, devises and bequests of property of every kind and description, without limit as to amount.
- (b) To purchase, lease or otherwise acquire, hold, invest, reinvest, use, mortgage, pledge, lease, exchange, sell, assign, transfer or otherwise dispose of both real

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and personal property of every kind and description, and any Interest in any property, and to exercise in respect of any and all property. any and all rights and privileges of ownership.

- (C) To enter into, make, perform and carry out any contracts or agreements for any purposes or objects herein set forth, without limit as to amount, with any individual, firm, association, corporation or entity.
(d) To do any act suitable and proper in the accomplishment of the purposes or the attainment of the objects of this Trust 019 the furtherance of the powers herein set forth, either alone or in association with other trusts, foundations, corporations, firms or individuals, or otherwise.
(e) To appoint such advisory committee or committees as the Trustees shall deem appropriate for accomplishment of the purposes of this Trust.
(f) To do every other act or acts incidental or appurtenant to or growing out of the aforesaid objects or purposes.

ARTICLE IV

Irrevocable Designation of Trust Funds

All of the Trust funds shall at all times be exclusively devoted to the objects and purposes herein expressed. This Trust shall be deemed terminated if, but

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only if, the Edward U. Demmer Memorial Library should for any reason cease to exist as an operating library in the Town of Three Lakes, Wisconsin. In such event, and only in such event, all of the remaining assets and property of the Trust shall be paid over and transferred to the Town Board of the Town of Three Lakes, or any legal successor thereto, for its general public and civic purposes.

ARTICLE V

Actions by Trustees; Successor Trustees

All powers, authorities, privileges, discretions and immunities herein conferred upon the initial Trustees shall apply to any successor or additional Trustees.

There shall at all times be three (3) or more Trustees in office, two of whom shall be individual Trustees and one of whom shall be a corporate Trustee with corporate trust powers and with capitalization of at least one million dollars (\$1,000, 000.00). No individual Trustee shall serve for more than five (5) consecutive years, but the corporate Trustee may serve for any number of consecutive years. Upon completion of five (5) consecutive years of service by an individual Trustee, a

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vacancy shall be deemed to exist. Any Trustee hereof may resign at any time upon written notice of such resignation to the Town Board of the Town of Three Lakes, Wisconsin or any legal successor thereto and the remaining Trustees. The Town Board of the Town of Three Lakes, Wisconsin, may at any time, and for any reason, upon written notice to all Trustees then in office, remove any Trustee. No bond or other security shall ever be required to be given or filed by any Trustee hereunder. No Trustee hereunder shall be liable except for willful malfeasance or bad faith.

In the event that a vacancy shall exist, for any reason, in the office of any Trustee of this Trust, a successor Trustee shall be appointed to fill such vacancy by the Town Board of the Town of Three Lakes, Wisconsin, or any legal successor thereto, after consulting with and receiving one or more recommendations from the remaining Trustees with respect to such successor Trustee.

All discretionary powers and duties vested in any Trustee hereunder which is not a natural person may be

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exercised on its behalf, from time to time, by its governing board, or by an appropriate committee, or by its principal officers or trust officers.

All actions by the Trustees shall be by a vote of a majority of the Trustees, except that all investment decisions shall be made and implemented solely by the corporate Trustee, which shall have sole authority to transfer securities or other assets of the Trust; individual Trustees shall not participate in investment decisions or implementation thereof.

ARTICLE VI

Amendments

The Trustees are authorized and empowered, with the written consent of the Town Board of Three Lakes, Wisconsin or any legal successor thereto, to amend, change or supplement the administrative provisions of this instrument in any manner whatsoever, and such amendments, changes or supplements shall be effective upon the execution by the Trustees of a writing setting forth the same; provided, however, that no amendment, change, or supplement to this instrument shall be made

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which shall divert the trust fund or any portion thereof from the aforesated purposes, shall permit the use of principal or shall cause a termination of the Trust so long as the Edward U. Memorial Library shall be operating in the Town of Three Lakes, Wisconsin. .

IN WITNESS WHEREOF, First Wisconsin Trust Company, Gertrude M. Puelicher and Jane Van Kirk, as Trustees, have hereunto set their hands and seals as of the date and year first above written.

First Wisconsin Trust Company,
Trustee

Attest: K.C. Schell
assistant Secretary

By Donald S. Byard (SEAL)
1st VP

Attest: Patricia Kehoe

 Gertrude M. Puelicher (SEAL)
Gertrude M. Puelicher, Trustee

Attest: Joseph J. Denny

 E. Jane Van Kirk (SEAL)
Jane Van Kirk, Trustee