

Trustee Training 9

Managing the Library's Money

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- The library board has ultimate responsibility for all aspects of library financial management—from budgeting to spending to financial reporting.
- The board controls and monitors library finances by:
 - Careful development and approval of the budget
 - Review and approval of all library expenditures
 - Review and monitoring of monthly financial statements
 - Development of policies for the handling of gifts and donations
 - Accurate financial reporting
 - Careful attention to financial audits

Approval of Library Expenditures

- Wisconsin Statutes give the library board exclusive control of the expenditure of all moneys collected, donated, or appropriated for the library fund.
- The board exercises this control through the approval of the budget, the establishment of financial policies, and the audit and approval of vouchers for all library expenditures.

Approval of Library Expenditures

- The library board approves the annual budget and any budget adjustments necessary during the year
- The library director is delegated authority to make purchases within the budget and according to board-approved purchasing policies.
- The library director is responsible for preparing vouchers for all expenditures, a monthly list of all library expenditures, and a monthly financial statement.
- At the monthly board meeting, the library board audits and approves payment of the expenditures, and reviews and approves the financial statement.
- The board secretary, or other designee of the board, signs the vouchers and they are forwarded to the municipal clerk for payment.

Approval of Library Expenditures

- Expenditures approved by the board for payment out of any library-held trust/gift fund accounts are made by the board treasurer or other designee of the board. It is recommended that board policy or bylaws require two signatures (one being the board treasurer or president) for any payment or withdrawal out of a library-held account.

Financial Statements

- To facilitate the board's monitoring of library finances, the director should present financial statements that the library board and the general public can understand.
- Reports should contain:
 - Last month and year-to-date expenditures for each line item
 - Total income and expenditures last month and year-to-date
 - Budget balances for each line item and the total budget

Gifts and Donations

- Library boards may deposit gift, bequest, devise, and endowment funds in a savings or checking account held by the library. However, all other library income, including fines and fees, must be deposited with the municipality.
- Wisconsin Statutes Section 43.58 (7) provides five alternatives for the handling of a gift, bequest, devise, or endowment provided to the library. Before making such transfers, library boards should be careful to consider any special provisions of the original gifts, bequests, or endowments.

Gifts and Donations

- Per 43.58 (7):
 - The library board may pay or transfer the gift, bequest, or endowment, or its proceeds to the treasurer of the municipality or county in which the library is situated.
 - The library board may deposit the gift, bequest, or endowment to a public depository under Chapter 34 (a bank, credit union or savings and loan in Wisconsin, or the Local Government Investment Pool).
 - The library board may transfer the gift, bequest, or endowment to a charitable organization, described in section 501 (c) (3) of the Internal Revenue Code and exempt from federal income tax under section 501 (a) of the Internal Revenue Code.

Gifts and Donations

- Per 43.58 (7):
 - The library board may instruct the board's financial secretary to invest the gift funds as permitted under Section 112.10. A financial secretary must be bonded for at least the value of the funds or property held. The financial secretary must also make at least annual reports to the library board showing in detail the amount, investment, income and disbursements from any funds held. This report must also be attached to the annual report provided to the municipality and the Division for Libraries and Technology.
 - The library board may pay or transfer the gift bequest, or endowment to a charitable organization or to a community foundation only if the library board and the charitable organization or the community foundation agree, in writing and at the time of the payment or transfer of the gift, bequest, or endowment, to the conditions outlined in the Statutes [s. 43.58 (7) (3)].

Annual Report

- The library board is responsible for approving the state-required annual report and providing a copy to the library system, the DLT, and to the governing municipality. The library director prepares this report, but it is the library board's responsibility to ensure that the report is accurate and complete. It must show all library income by source and all expenditures in detail, as well as the status of all funds under library board control.

Audit

- In most communities, public library financial records should be audited along with all other records maintained by the municipality or county that serves as the library's fiscal agent. Funds controlled directly by the library board, such as gift funds or endowments, should be audited annually by the municipality, the county, or an outside auditor. If your municipality does not audit your library's financial records, you may want to ask that they do so, or you may budget for an outside auditor to conduct an annual audit. Municipal and library audits are public records and must be publicly available. The library board should examine audit reports and carefully follow any audit recommendations.

Discussion Questions

1. Why is careful control and monitoring of library expenditures important?
2. What should a library board member do if he/she doesn't understand part of the financial statement or doesn't know the purpose of a particular expenditure?
3. What can your library board do if your library has a large unexpected expenditure—for example, if the air conditioning unit fails and needs to be replaced immediately?