

## Balancing the Books: Do Your Procedures Add Up?

by Ken Hall, Assistant Director Winnefox Library System

Keeping track of finances is often a misunderstood task for library directors and boards. Who does the job belong to, the board, director, or parent municipality? Like many questions in life, the answer to this one is "all of the above."

Let's start with the board. Chapter 43 of the State Statutes gives the library board exclusive control of the expenditure of all moneys collected, donated or appropriated for the library fund. This means that no other body can tell the library board how to spend money, public or private, designated for the library.

With authority comes responsibility. Chapter 43.58(2) of the statutes spells out very explicitly how bills are to be paid. Essentially the statutes give *control* of library funds to the library board, while *custody* of public funds is assigned to the parent municipality. (Private, or donated funds, can be held by the library board. But since this only confuses the issue, we'll discuss that in another article.)

The municipality acts as the bank for the library. Just as your bank sends you a monthly statement for all personal checking and savings accounts, your municipality should send the library a monthly statement of accounts totaling all debits and credits. These statements are the official records used in preparing the library's annual report.

Though our banks send us monthly statements, all of us keep track of our finances at home with a checkbook register and/or home accounting software such as Quicken®. Though we trust our banks, sometimes they make mistakes. Municipalities sometimes make mistakes as well. The library needs to keep track of finances in order to verify the accuracy of municipal reports.

Library Boards do have an obligation to review financial statements at each monthly meeting. Sometimes the financial reports that work best for the library board are not in the format supplied by city hall. It's a good idea to have a library accounting



**Chapter 43 of the State Statutes gives the library board exclusive control of the expenditure of all moneys collected, donated or appropriated for the library fund.**

*(continued on page 2)*

# Financial Management Links

**Financial Management Reference Guide - Library of Michigan**  
<http://www.libofmich.lib.mi.us/publications/finmanref.html>

**Wisconsin Public Library Standards: Chapter 3 On Governance and Administration, especially the section on funding.**  
<http://www.dpi.state.wi.us/dlcl/pld/chapter3.html>

**Trustee Essential 8: Developing the Library Budget**  
<http://www.dpi.state.wi.us/dlcl/pld/te8.html>

**Trustee Essential 9: Managing the Library's Money**  
<http://www.dpi.state.wi.us/dlcl/pld/te9.html>



## IN THIS ISSUE

- *Balancing the Books: Do Your Procedures Add Up?*
- *Monthly Financial Reporting*
- *Financial Management Links*

*(continued from page 1)*

system that prepares reports designed to work specifically for your library.

Just as the library director manages collections, personnel and all else on behalf of the board, the director has responsibility to keep track of finances and make reports to the board. It isn't a good idea to turn this over to a volunteer, even one from the board.

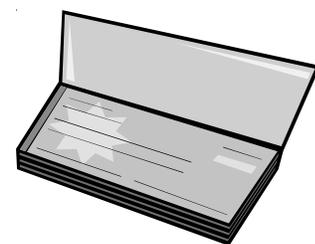
The library director makes decisions everyday based on his or her knowledge of the state of the library purse. He or she may need to decide, for example, whether there is money available for more children's books or to authorize a page to work an extra few hours to reduce a backlog. By keeping track of library finances, the director gains valuable insight into library operations and their relationship to the budget.

Some library boards appoint a treasurer who is given the job of keeping track of finances. This is often the case where the director is part time and may not have had financial experience.

The treasurer, if one exists, is empowered by statute only to keep track of private funds. The treasurer may be an accountant or experienced financial professional and as such offer advice to the director. Still, it is up to the director to perform all financial record keeping in the library.

## Dealing with Donations

Wisconsin statute gives the library board differing responsibilities in handling appropriations and donations. All funds *appropriated* for the library by a unit of government must be held in the custody of the parent municipality. With joint libraries, one of the partners is designated as the financial agent for the library in the partnership agreement.



The library board may decide to retain custody of *donations* or entrust them to a private foundation or the parent municipality. In all cases, it is up to the library board to decide how and when these funds will be spent within the parameters agreed to with the donors.

Trustees occasionally question which funds must be turned over to the municipality and which the library board can hold. *Appropriated funds* are those monies obtained through a public levy by a unit of government. It doesn't matter whether it is the library's home municipality or another municipality or the county. For example, funds "donated" by a township to a city library to assist with automation qualify as an appropriation they were obtained through a tax levy.

*(continued on page 3)*

(continued from page 2)

User fees are treated like appropriations and are deposited with the parent municipality as well. Examples include overdue fines, photocopy or printer charges, meeting room rental, etc. These are all funds obtained from the public in exchange for services rendered.

Some libraries have done away with overdue fines and solicit donations in lieu of the fine. As long as no one is required to donate, meaning overdue books may be returned without paying anything, monies obtained in this way are indeed donations and may be treated as such.

Though library boards may retain custody of donations, state statutes provide explicit directions on how this may be done. You may find a complete discussion of this in the September/October 2000 issue of *Channel*, the newsletter of the Wisconsin Division for Libraries, Technology and Community Learning. Library boards may obtain assistance and advice from their local library system as well.

See Also: "Trustee Corner" in *Channel*, May-June 2001 regarding tax exemption for gifts to libraries.

## Monthly Financial Reporting

by Greta Thompson, Assistant Director Outagamie Waupaca Library System

One of the advantages of having financial management software in the library is that it will give the board many options in formatting monthly reports. What kind of financial reporting can the board expect or encourage at each meeting? What should financial reports include and what should they look like? Here are our recommendations.

The library director should present the board with a **list of vouchers** (bills) for approval. The list should include the date, the vendor, the amount billed, and the account to which the payment will be charged. The vouchers themselves should be available for inspection if necessary. The board must formally approve paying the bills, i.e., with a motion and vote recorded in the minutes.

Directors should provide a **Statement of Financial Control** that lists the amount budgeted for each revenue and expenditure account for the current year; the amount received or spent during the month; a cumulative total amount received or spent for the year (Year-to-Date total); and the amount of money remaining in each line of the budget. Accuracy is vital.

**Financial reports should be standardized.** They should look the same and include the same information each month. You should be able to compare this month's report with prior months easily and quickly. Reports should help the board understand how spending for the month impacts the annual budget.

**Financial reports need to be easy to read and understand.** Standardization will help achieve this, but so will careful presentation of the data. If a spreadsheet is used for example, the columns should be wide enough to accommodate all the figures. The typeface needs to be readable. Negative and positive numbers need to be clearly distinguished. Labels for the information presented in each column and row should be clear and informative. These are simple, even obvious points, but they are not always observed. When they are, they not only make the report more readable, but more professional looking.

**Financial reports need to be interpreted.** Even if the information is clearly and consistently presented, there will often be some revenues or expenses that need to be discussed or explained. The director should provide comments on both the list of vouchers and the monthly financial report and be ready to answer any questions board members may have.

**Financial reports should let trustees know if the library is adhering to the annual plan and budget.** The plan and the budget are two ways of setting direction for the library; they ought to be connected with one another. The monthly report is a major way the board can monitor the progress the library is making toward realizing its priorities and objectives. It can alert the board to problems and issues for discussion. Together, the reports can help the board and director evaluate the budget and plan revisions for the coming year.

# Winnefox Launches New Website

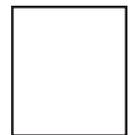
Next time you're out surfing the net, check out our new Winnefox website at [www.winnefox.org](http://www.winnefox.org). Here is your opportunity to learn more about the Winnefox system, what we do and how we support local public libraries.



Want to know more? Sign up via e-mail to join our *Library Insiders Network*. Becoming a part of *LINK* means you will be kept informed of breaking news about libraries from around the state and within the Winnefox System. This is your opportunity to find out what's going on that affects you and libraries. *LINK* will also connect you to key government officials so you can make your opinions known to your legislators.

Just go to our new website and click on [How YOU can support your library](#).

**Winnefox Library System**  
**106 Washington Avenue**  
**Oshkosh, WI 54901-4985**



trustee tale is written and distributed by the Winnefox Library System and the Outagamie Waupaca Library System. Distribution to your board is funded by your home system.

If you have questions, comments or suggestions for future articles, send them to:

Winnefox: Ken Hall, 920-236-5222  
 or email [hall@winnefox.org](mailto:hall@winnefox.org)  
 OWLS: Greta Thompson,  
 920-832-6194 or email  
[greta@mail.OWLS.lib.wi.us](mailto:greta@mail.OWLS.lib.wi.us)

Editor: Carla Basiliere, Marketing Coordinator  
 Authors: Greta Thompson and Ken Hall  
 Graphic Artist: Renee Miller

## TRUSTEE SOAPBOX

*Do you have a question, comment or topic to suggest for a future TrusteeTale? Send an Email to*

*[Hall@mail.winnefox.org](mailto:Hall@mail.winnefox.org)*

*You may also phone your questions to Greta at 920-832-6794.*