

BOARD

“Public library boards are legally responsible for the library’s finances and financial management. As custodians of public funds, trustees must be accountable in their management of the library’s money.” —*Handbook for Library Trustees of New York State, 2005 edition*

FI\$CAL RESPONSIBILITY PART 1 [CONCEPTS & LEGALITIES]

Fiscal responsibility is rooted within the definition of the word “trustee.” Public and private dollars are entrusted to you to be used on behalf of others in the form of library services. Accountability and transparency in the use of that money is of the utmost importance.

YOUR RESPONSIBILITIES

- Understanding the financial needs of the library’s operation
- Knowledge of the library’s financial base and the sources that make up that funding
- Knowledge of supplementary sources of revenue
- To prepare and adopt a written annual budget
- Obtaining funds needed for maintenance, growth, and expansion
- Understanding the basics of legal and reporting requirements for your library’s funding
- To regularly review the fiscal health of the organization

BUDGET DEVELOPMENT & REVIEW

The best budgets are developed in relationship to the library’s long-range plan. By basing your budget on your plan, as opposed to basing your plan on your budget you will be:

- Able to be responsive to the needs of your community
- Able to target areas for fundraising, grants, and Friends Group support

OPERATIONAL FUNDING VS. FUNDRAISING

When you are planning your budget think of the allocations in two separate categories:

- **OPERATIONS:** those items that are mission critical on a day-to-day basis: personnel, electricity, books, computers, internet connection, etc. Operations should be funded from a secure and stable source of funding. In most cases from tax dollars that are voted on by the public.
- **EXTRAS:** things that would be nice but wouldn’t prevent us from providing library services if we couldn’t afford them this year.

Everything else can be prioritized for fundraising. Fundraising should not be a solution to keeping your doors open, but be reserved for special programs, niche collections and capital

improvements. If you are actively fundraising, it is imperative that you use fundraising dollars as you promised you would. Should you use a donation for a different purpose than you had advertised you would, you will need the donor’s approval.

For libraries that hold a public vote on their budget (special and school district libraries and those that have used Chapter 414) we recommend that fundraising activities be shifted to or funneled through the library’s Friends Group for clarity in communication about funding needs with the public. (See the Fall 2005 issue of *Across the Board* for the feature article, “Building an Effective Friends Group.”)

OVERSIGHT

A budget is a flexible document. When you pass a budget, you are authorizing the Director to use the funds within the budget categories. If a category needs to be adjusted, the board needs to vote to amend.

At your monthly board meetings you probably receive a treasurer’s report to review. If you have questions, bring them up during the meeting. There is a good chance one of your peers was also wondering about that and will appreciate your asking. The most important aspect in the treasurer’s report is the Year-to-Date (YTD) column which will show if you are on track. A simple line-item budget sample is available in the Trustee Resources area of the MHLS web site under “Budgets and Finance” (<http://midhudson.org/trustee/budgets/main.php>).

MHLS strongly advises that all libraries have an independent review or audit done annually. The benefits of having an independent audit or review include:

- Protects board members from liability
- Indicates areas for improvement
- Insures the library can face scrutiny by the public

For those libraries with annual receipts over \$250,000 who are also registered as a charitable organization under NYS Executive Law Article 7A, you are required to have an independent audit by law. (For annual gross receipts between \$100,000 and \$250,000 a review is required.) Libraries should change audit firms every five years. For more information about audits and to find a CPA, visit <http://midhudson.org/trustee/audits.htm>.

INVESTMENTS & RESERVE FUNDS

Because trustees act as custodians of public funds, they are subject to very tight restrictions on eligible investments. Under

General Municipal Law and subsequent court rulings, all funds (including privately raised moneys) must be invested in the following limited number of financial vehicles:

- Time deposit accounts or certificates of deposit in commercial banks and trust companies located and authorized to do business in NYS;
- Obligations made by the United States of America or guaranteed by the United States of America, and obligations of the State of New York;
- Under very limited circumstances, obligations of municipalities and other municipal corporations. (Excerpted from the Handbook for Library Trustees of New York State, 2005 edition)

Although association libraries do not fall under General Municipal Law it is advisable to follow these guidelines if you receive funds in part due to a successful Chapter 414 vote or plan to do so in the future.

While a reserve fund is advisable the library should not hoard excessive amounts of money. Local governments, voters and donors are buying service from the library—there is an obligation to spend the money.

TRUSTEE CONSULTATIONS

Two new consultations are being offered by MHLS staff. All consultations are free of charge, customizable and can be brought to your library at your convenience.

- Smart Growth for Your Library
- Local History Materials

Learn more at <http://midhudson.org> ⇨ Trustee Resources, or get there directly at <http://midhudson.org/trustee/main.php>. Don't see what you need? Just ask!

SAVE THESE DATES

Trustee Essentials

Saturday, **September 8**, 10:00 A.M. – 12:00 NOON
Hudson Area Library 400 State St., Hudson

Monday, **September 17**, 6:00 P.M. – 8:00 P.M.
MHLS Auditorium 105 Market St., Poughkeepsie

Advanced Trustee

Topic: **Smart Growth for Your Library**

Saturday, **October 27**, 10:00 A.M. – 12:00 NOON
Kingston Library 55 Franklin Street, Kingston

Monday, **October 29**, 6:00 P.M. – 8:00 P.M.
MHLS Auditorium 105 Market St., Poughkeepsie

2007 MHLS Annual Meeting Friday, October 5th

The Culinary Institute of America, Hyde Park, N.Y.

Guest Speaker: **Marilyn Johnson**, Author of *The Dead Beat: Lost Souls, Lucky Stiffs, and the Perverse Pleasures of Obituaries*

