

Library Financial Management



Financial management includes five aspects:

1. Budget
2. Signing Authorities
3. Financial Administration
4. Monthly Financial Reporting
5. Audit

1. BUDGET: A budget is a tool used to communicate activities that the Board wants to see implemented by the staff during the next year.

Each year, public library boards must establish a budget for library operations. This is often done quickly and without any planning for the library for the next year. Many times, last year's figures are used without knowing whether the income or the needs will be the same. Without a budget approved by the Board, the treasurer, signing officers and staff do not have the authority to purchase goods or services, make payments or issue cheques. When a Board establishes a budget, it approves the expenditures **and it commits to obtaining the needed revenue**. If a Board is unwilling to assume responsibility for finding the necessary revenue, it should not approve the budget, but alter the figures to a level that it is willing to guarantee. Although it is the Board that is responsible for establishing the budget, staff must be consulted for information on the status of current projects and trends foreseen in the upcoming year.

The **Monthly Financial Statement** should include a budget column broken into categories that can be used to outline the financial plan for the current year and the library's progress toward that goal.

Before you enter random figures, consider these questions:

- **Are there any projects started last year which must be completed this year, and how much will it cost to complete?** These could include automation costs, renovations or special literacy projects, for example.
- **What are the established provincial, regional and community programs in which the library participates?** For example, Summer Reading Program, Saskatchewan Library Week, Aboriginal Storytelling Month, Northern Reading Program, career day, elders' conference, winter festival, music festival, drug awareness week, etc. Many of these have free materials or performers.
- **What educational opportunities are available for staff and trustees:** conferences for the Saskatchewan Library Association, Saskatchewan Library Trustees' Association, Northern Library Conference, Saskatchewan School Library Association, Saskatchewan Association of Library Technicians, Prince Albert Grand Council, Meadow Lake Tribal Council, Northern Area Teachers' Association, or specialized training workshops such as the SLTA Trustee Training workshops.
- **Which expenses will be increasing this year due to inflation or natural increases,** such as postage, salaries, benefit packages? Budgets should be conservatively realistic. Incomes should be budgeted marginally on the low side; expenditures should be budgeted marginally in the high side. The key word, however, is **Realistic**. What is most likely to happen?

2. SIGNING AUTHORITY: Signing authorities are those staff and trustees who are authorized to sign contracts and cheques and issue payments on behalf of the library.

Once the budget has been set, it is up to the staff and those who have signing authority to spend the money in the way the board has indicated. It is preferable to have at least three people named as signing authorities, one of whom should be management staff, and the others should be trustees. Including the trustees assures the library board of having access to the finances should the management staff change.

The goal is to establish enough signing officers to ensure that two are available at all times, vacation, sickness and travel notwithstanding. Each cheque should require two authorized signatures. This prevents one person from having complete control of the finances of the organization and being open to a question of honesty. It also ensures that at least two people are aware of exactly what money has been spent for which goods and services.

Each year, at the annual meeting, forms should be obtained from the bank for the signing authorities on the library accounts. Those who are not continuing as signing authorities will have to sign off their names, and those who are continuing or are new signing authorities will have to add their names to the list.

3. FINANCIAL ADMINISTRATION: The day-to-day financial activities of the organization.

After the signing authorities have been established, the bookkeeping system will have to be set up. How this is done will depend on whether you have an outside bookkeeper or whether a trustee or the librarian handle the bookkeeping. Standard bookkeeping procedures will be followed, no matter which way it is done. Once the Board has set the budget, the person or people who are in charge of purchasing do not need to have Board approval for a purchase unless they are going to go over the budget limit set. How will the Board know this? Reporting on these anomalies to the budget can be done during your discussion of the financial statements at regular meetings.

4. MONTHLY FINANCIAL REPORTS: A *Monthly Financial Statement* will detail the total expenses made and revenue received each month in various budget categories, and the total spent so far in the year.

Monthly financial reports will help keep the Board informed. With the projected budget figures included, these reports give a good picture to the Board about how their plans are being implemented financially. The reports will show how close to the budget limit certain items are, or if something planned was not purchased or implemented. Each month, at the Board meeting, staff and trustees should discuss how the expenses and revenue are different from the original plan.

5. AUDIT/FINANCIAL REVIEW: In accordance with the Public Libraries Act, 1996, each public library board is required to submit an annual report and the appropriate audited financial statement to the Minister and the Council.

It is important to keep the purchase orders, packing slips, invoices and cheques together for each item. They should be organized in monthly files along with each month's bank statement. With this type of organization, it will be very easy to pull all these files together to give to the auditor. Remember that the audited financial statements must be sent to Saskatchewan Provincial Library and Literacy Office by May 15th. With a bit of organization on your part, the audit/financial review should be quite easy.

There are different types of financial review depending on the funding level of the library: a Compilation, a Review Engagement and an Audit. The method used to deliver the information to the Saskatchewan Provincial Library and Literacy Office also varies on whether you are a local library, regional system, municipal library or northern library or system.