

# **Appendix**

## **Financial Accountability Guidelines for Municipal and Regional Public Libraries**

**Revised January 27, 2010**



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# Introduction

Under the *Public Libraries Act*, municipal and regional library boards are responsible for keeping accurate financial records, which are to be audited annually. (*Section 21(f) and Section 27 (g).*) Public Library Services Branch requires 1 certified copy of the audited financial statement. The revenue and expenditures from the financial statements are published in the *Manitoba Public Library Statistics*. These statistics are useful for benchmarking your library system against similar-sized libraries in the province.

This document is a generalized guide to assist library administrators, library boards, and accountants in determining the allocation and expenditures of funds. The Public Library Services Branch appreciates the time and cooperation of the following individuals and organizations that agreed to provide assistance in the development of this guideline.

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## BEST PRACTICES

The following practices will provide guidelines for library boards in their fiduciary duties. The detailed information follows in the body of the document.

## MEETING REQUIREMENTS

An auditor's verification of the library's minutes is required in a letter to management. The auditor's letter will verify that the library system is meeting the legal meeting requirements stated in the Public Libraries Act, as follows:

### Bi-monthly meetings

20(1) *The board shall meet at least **six times in each year**; and at least one month **but not more than two months** shall elapse between regular meetings of the board in each year and between the last regular meeting in each year and the first meeting in the next year; but nothing herein prevents the holding of a special meeting as hereinafter provided.*

<http://web2.gov.mb.ca/laws/statutes/ccsm/p220f.php#20>

## Financial Checks and Balances

Board approved policies and procedures to protect the library's funds from loss, misappropriation, or errors.

## Public Sector Compensation Disclosure Act

Requirements by law <http://web2.gov.mb.ca/laws/statutes/ccsm/p265e.php> to disclose compensation of \$50,000 or more in a non-profit organization's audited financial statement if the annual budget is at least \$200,000 and 50% or more of the income is received from two public sector bodies.

## Accounting for the Goods and Services Tax (GST)

Appropriate accounting, recording and reporting of the Goods and Services Tax. The GST is not recorded as a source of revenue.

## Budgeting Calendar

An outline of deadlines required for financial management, budgeting, and grant applications.

## Cash Flow Template

A financial management tool used to determine and plan for fluctuations in revenues and expenditures.

## Libraries Currently Amortizing Capital Assets

**Continue** amortizing your capital assets regardless of the size of the library's budget, as your municipality will need this information for their audits.

## Library Annual Revenues Over \$500,000

Libraries following Not-for-profit Generally Accepted Accounting Procedures (NFP-GAAP) with average annual revenues over \$500,000 **must amortize** their capital assets in accordance with Section 4430 of the CICA Handbook.

## **Library Annual Revenues Under \$500,000**

Libraries with average annual revenues under \$500,000 that are not amortizing their capital expenditures are advised to discuss amortization with their municipality.

## **Restricted Donations or Bequests Policy**

Any restricted funds from donations or bequests should have a separate bank account to ensure that sufficient cash is available for the intended purpose.

# 1. Sample Financial Checks and Balances

Financial checks and balances are controls approved by the library board to protect the library against fund loss, misappropriation or error. The board's financial policies protect the reputations of both the library board and the individuals directly managing the financial accounts.

## 1.1 Audits

The annual audit provides reasonable assurance about whether the financial statements are free from material misstatement. The financial statement helps illustrate the library board's financial management and accountability for funds granted, donated, or fundraised for the public library.

The following are guidelines for financial checks and balances typical of non-profit organizations.

### 1.1.1 Budget and Finance Policy

#### **Budget - January - December Financial Year**

- Written, board approved budget.
  - Collaborative document written with input from:
    - Library board
    - Library administrator
    - Library staff members with responsibility of budgetary elements
    - Example: library branch managers, staff responsible for the development and delivery of specific programs
    - Will budget an operating reserve to ensure enough operating funds until municipal and provincial operating grants are received.

#### **Materials Expenditures**

- Determine a goal of spending a minimum of **15 %** of the operating budget on materials for patron use. Costs of installing shared or stand alone databases are not included.

#### **Signing Authorities**

- Board must pass a motion and name two board members to have signing authority for library accounts. The name of the financial institution(s) must be included in the motion.

#### **Monthly Financial Reporting Procedures**

- Written report submitted to the library board.
- Clear record of the current position of each budgetary line item.
- Monthly and year-to-date expenditures.
- Remaining budget.

### **Routine Banking Procedure**

- Authorized personnel will deposit funds into the appropriate accounts. Such deposits include, but are not limited to:
  - Accumulated fees and fines
  - Gifts
  - Donations
  - Grants
  - Tax Receipts
- Include exact details on where money, financial donations, and in-kind donations are to be placed in safe keeping. Detail the frequency of financial deposits and time for completion of the deposit. (Example: deposit monies daily by 9:30 a.m. If monies exceed \$200.00, deposit as required.)

### **Petty Cash**

- Board passes a policy about the amount of money in the petty cash fund.
- Board passes authority of *one staff position* responsible to control petty cash.
- Policy indicates:
  - Type and amount of expenditure that can be paid by petty cash.
  - Petty cash vouchers indicating amount, type, and date of expense replaces a cash withdrawal from the petty cash box. At any time the amount of cash and vouchers in the petty cash box must balance to the total amount of the petty cash fund.
  - Replenishment of petty cash will require a library cheque written to petty cash. The petty cash vouchers are removed and recorded as an expense.

### **Reimbursement of Expenses**

- Develop a policy on expense reimbursement approvals and a standardized expense form. A completed expense form with appropriate documentation and receipts attached is required. Payments are made by library cheques (never in cash).

### **Payroll**

- If internal expertise is not available, consider hiring an outside payroll service.

### **Authority to Spend**

- Library administrator is authorized to spend up to \_\_\_\_\_ on any single item without prior board approval.
- In case of extreme emergency, up to \_\_\_\_\_ with the approval of two library board officers.



## Donations

- Financial Donations
  - Board must pass a motion indicating the minimum amount for the automatic issuance of receipts. Receipt smaller donations only upon request.
  - Each bequest or restricted donation will have a separate account to ensure sufficient funds are maintained.
- In-Kind Donations
  - *Eligible gifts* (as determined by the *Canada Customs and Revenue Agency* - CCRA) are entitled to receive a receipt that reflects the fair market value of the gift.
    - Property
      - Capital, inventory, or depreciable property are eligible for a tax receipt.
      - Property anticipated to be valued over \$1,000 must be appraised by an independent appraiser.
    - In-Eligible gifts
      - Services (time or skill) are ineligible for a tax receipt under CCRA.

### 1.1.2 Tips for Preparing for the Audit

To prepare the financial records for the auditor, please review the library's financial records to ensure that all records, receipts and authorizations are documented and available to the auditor. Suggested review procedures are below. Ensuring the accuracy and availability of all documentation should help the auditor perform an efficient and effective audit.

- Compliance with all financial controls, including timeliness.
- Reconcile the bank records to the cash balances in your general ledger.
- Reconcile year end accounting records and financial statements with those for the previous year-end.
  - Total of receipts for accounting records, financial statements, bank statements, and donor records are the same (or easily reconcilable, with any adjustments being well documented and sensible.)
  - Inter-fund transfers are well-documented, verifiable, and pass the test of reasonableness.
- Pay Roll
  - Review for accuracy, completeness, reasonableness and proper approval.
  - Timely, appropriate reporting and payment of deductions.
- Insurance
  - Review to determine if the appropriate approved insurances are paid and in force.

- Written procedures for financial control should be reviewed by the library board annually to ensure both compliance and continued appropriateness.

### **1.1.3 Sources for further reading available online**

- *Charities and Giving*, Canada Customs and Revenue Agency
- *Ethical Code Handbook*, Imagine Canada
- *Ethical Fundraising and Financial Accountability Code*, Canadian Centre for Philanthropy
- *Keeping Adequate Books and Records Checklist*, Canada Customs and Revenue Agency
- For specific answers for questions related to registered charities, contact your auditor or the Charities Division of the Canada Customs and Revenue Agency (CCRA) at 1-800-267-2384.

## 2. Public Sector Compensation Disclosure Required in Financial Statement

Under Manitoba's [Public Sector Compensation Disclosure Act](http://web2.gov.mb.ca/laws/statutes/ccsm/p265e.php), <http://web2.gov.mb.ca/laws/statutes/ccsm/p265e.php> all public sector bodies must annually disclose the name and title of officers and employees whose compensation is *\$50,000 or more if the organization's budget is at \$200,000 and 50% of the income is from two public sector bodies.* (2 (1); 2(2); and 3 (2)). Disclosure of the information in the organization's annual financial audited statement is appropriate under the Act.( 3(1)).

Definition:

As defined by the Public Sector Compensation Disclosure Act, (1), compensation means:

"compensation pursuant to any arrangement, including an employment contract, calculated to include the total value of all cash and non-cash salary or payments, allowances, bonuses, commissions and perquisites, including

- (a) all overtime payments, retirement or severance payments, lump sum payments and vacation pay-outs,
- (b) the value of loan or loan interest obligations that have been extinguished and the value of imputed interest benefits from loans,
- (c) long term incentive plan earnings and payouts,
- (d) the value of the benefit derived from vehicles or allowances with respect to vehicles,
- (e) the value of the benefit derived from living accommodation or any subsidy with respect to living accommodation,
- (f) payments made for exceptional benefits not provided to the majority of employees of the public sector body,
- (g) payments for memberships in recreational clubs or organizations, and
- (h) the value of any other payment or benefit that may be prescribed in the regulations

### 3. Accounting for the Goods and Services Tax (GST)

The *Goods and Services Tax* (GST) is a refundable tax. Refundable taxes should not affect your statement of operations (i.e. revenues and expenses). Accounting for GST should only be reflected on your statement of financial position or balance sheet. Including GST refunds in your revenues and GST paid in your expenses has the effect of overstating the balances.

All libraries should first verify their GST status with their auditor. Most municipal libraries are deemed municipalities for GST purposes. As a deemed municipality, the library receives 100% of the GST it pays as a rebate. Some libraries may be a stand alone non-profit organization. As a non-profit organization, a library can claim 50% (100% for books) of the GST it pays as a rebate. Any GST that is not refunded should be accounted for as an expense.

A library should have two GST accounts to properly record GST transactions:

- **Amounts Receivable/GST Input Credits** – All GST paid by the library should be initially recorded in this account.
- **Amounts Receivable/GST Rebate** – Used to record the GST rebates receivable.

An example will be used to illustrate how to account for GST. In this example the library is a deemed municipality.

In the months from January to March 2009, a library purchased \$5,000 (plus GST) in collection materials. This was the library's only purchase that was subject to GST during the quarter.

<i>Debit.</i> Expense – Library Collections	\$5,000
<i>Debit.</i> Amounts Receivable/GST Input Credits	\$ 250
Cr. Bank	\$5,250

To record purchase of library materials

The librarian completes the month end for March 2009. Every quarter the librarian clears the GST input credit account and files the GST rebate.

<i>Debit.</i> Amounts Receivable/GST Rebate	\$ 250
<i>Credit.</i> Amounts Rec/GST Input Credits	\$ 250

To record the GST rebate for the quarter ended March 31, 2009

The GST input credit account is now cleared. The account will now only include input credits paid during the second quarter. In June 2009, the librarian receives the GST rebate cheque.

<i>Debit.</i> Bank	\$ 250
<i>Credit.</i> Amounts Receivable/GST Rebate	\$ 250

To record receipt of 1<sup>st</sup> quarter GST rebate

Note that the **GST rebate is not recorded as revenue** and the **GST paid is not recorded as an expense**.

## 4. Sample Budgeting Calendar for Rural Manitoba Public Libraries

Highlighted months (shaded grey areas) are critical to ensure the library board accomplishes the minimum of requirements of six (6) per year under the Public Libraries Act. All Manitoba Public Libraries' fiscal year follows the January-December calendar.

To ensure consistency between library budgeting and municipal budgeting dates and timelines, please contact your local municipality to develop a local budgeting calendar.

Deadline	Major Task	Person Responsible
<b>January</b>		
15	AGM of the Library	Library CEO
	First required meeting of the library board	
	Approval of the finalized proposed budget	
	Proposed budget delivered to municipal council	Board members Library CEO
	<i>Young Canada Works</i> Summer Student Grant Application ( <i>Deadline February</i> ) (Canadian Library Association)	Library CEO
	<i>Home Town Green Team</i> Summer Student Grant (Outside of Winnipeg) Application MB4 Youth ( <i>Deadline February</i> )	Library CEO
<b>February</b>		
	Prepare and deliver financial records for auditing	Library CEO
	Review Library Grant Application package from Public Library Services Branch	Library CEO Board Members
	<b>Appoint a new chairperson</b>	Board Members
15	Deadline for <i>Community Places Grant</i> (Building Grant)	Library CEO
15	Deadline for <i>Municipal Recreation and Library Fund</i> (Building Grant)	Library CEO
	<i>Deadline (March) - Literary Readings Grant</i> - Touring Authors Canada Council for the Arts (August deadline is also available)	Library CEO/Staff

Deadline	Major Task	Person Responsible
27	<i>Canada Summer Jobs Grant deadline</i> (Service Canada Federal Grant)	Library CEO
27	<i>Career Focus – Summer Grant</i> (MB4 Youth)	Library CEO
<b>March</b>		
	Applications for Community Connections Internet Connectivity Grant	Library CEO
	<i>Spoken Word and Storytelling Program Grant</i> (Canada Council for the Arts)	Library CEO or Staff
	<i>Literacy for Life Grant Applications</i> Winnipeg Foundation	Library CEO or Staff
31	<b>New Libraries:</b> Library Establishment By-Laws, Agreements, and list of <i>municipally appointed</i> Board members are received by the Public Library Services Branch <b>before</b> March 31	Municipal Administrators
<b>April</b>		
1	<b>New Libraries:</b> Library Establishment Grant, Operational, Collection Development and current fiscal year Rural Library Technology Sustainability Grant applications intake Includes a local government approved proposed budget	Library CEO Board Members
<b>May</b>		
	Approval of the Library's audited financial statement	Board Members
30	A certified copy of the Library's audited financial statement is submitted to the local government for their consolidated Public Sector Accounting requirements	Board Members
31	Deadline to submit Charitable Tax Return	Library CEO or Library Treasurer
	<i>Literacy for Life Grant Application</i> (Winnipeg Foundation)	Library CEO or Staff

Deadline	Major Task	Person Responsible
<b>June</b>		
30	<p>Deadline for Provincial Library Operational and Collection Development Grants application submissions to the PLS Branch</p> <p>Required documentation includes:</p> <ul style="list-style-type: none"> <li>i. One certified audited financial statement for the previous year's finances</li> <li>ii. Approved proposed library budget</li> <li>ii. Completed and signed grant application forms including a certified copy of the Library's audited financial statement, a local government-approved proposed library budget</li> </ul>	<p>Library CEO Board Members</p>
<b>July</b>		
	<p>Monitoring of the library's financial accounts</p> <p>Payment of bills as required</p>	<p>Library CEO Library Treasurer</p>
<b>August</b>		
	<p>Monitoring of the library's financial accounts</p> <p>Payment of bills as required</p>	<p>Library CEO Library Treasurer</p>
	<p><i>Literary Readings Grant</i> – Author tours (Canada Council for the Arts)</p>	<p>Library CEO/Staff</p>
<b>September</b>		
	<p>Update library board on activities of the library</p> <p>Review finances – revenues and expenditures to date</p>	<p>Library CEO Library Treasurer</p>
	<p><i>Literacy for Life Grant Application</i> (Winnipeg Foundation)</p>	<p>Library CEO/Staff</p>
<b>October</b>		
	<p>Review strategic plans, goals, and objectives</p>	<p>Library CEO</p>
	<p>Library board discuss budget</p>	<p>Board Members</p>

Deadline	Major Task	Person Responsible
<b>November</b>		
	<b>Prepare</b> a draft budget for the board	Library CEO
	<b>Discuss</b> <i>Community Places Grants</i> and <i>Municipal Recreation and Library Fund</i> (Both applications are under <i>Community Places Grant</i> - deadline is February)	Board Members
	<i>Youth Serves Bursary</i> – (MB4 Youth)	Board Members
<b>December</b>		
	<b>Present</b> draft budget for the board	Library CEO
	Draft the narrative annual report	Board Members
	<i>Literacy for Life Grant Application</i> (Winnipeg Foundation)	Library CEO/Staff



## 5. Managing Your Library Budget – Cash Flows and Public Libraries

Public libraries receive operating monies from municipal, provincial, federal, and local library generated resources. In order to provide uninterrupted library service, library boards and administrators will want to identify periods of negative cash flow (more expenses than funds available). It is important to note when monthly income and expenditures are nearly identical, as these are potential times of negative cash flow. The following template is a simple cash flow budget for a small public library for a four-month period.

	<b>Annual Budget</b>	<b>Month</b>			
		<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>
Local Government Grant	15000.00	3750.00	0.00	0.00	3750.00
Provincial Operating Grant	9769.00	0.00	0.00	0.00	9769.00
Provincial Collection Grant	5500.00	0.00	0.00	0.00	5500.00
Provincial Technology Grant	1000.00	0.00	0.00	0.00	0.00
Federal Summer Student Grant	1500.00	0.00	0.00	0.00	1500.00
Fines	300.00	10.00	20.00	5.00	10.00
Membership Fees	300.00	0.00	30.00	0.00	0.00
Book Sales	1300.00	50.00	100.00	50.00	1200.00
Bake Sale Profits	800.00	0.00	500.00	0.00	00.00
Donations	200.00	0.00	50.00	0.00	0.00
Room Rental	500.00	50.00	50.00	0.00	50.00
Miscellaneous	200.00	0.00	0.00	0.00	0.00
	<b>36369.00</b>	<b>3860.00</b>	<b>750.00</b>	<b>55.00</b>	<b>21779.00</b>
Payroll	19329.00	1610.75	1610.75	1610.75	1610.75
Acquisitions	8728.56	200.00	0.00	0.00	500.00
Repairs and Maintenance	581.90	0.00	0.00	20.00	0.00
Utilities	3164.10	263.68	263.68	263.38	263.68
Telephone	500.00	50.00	90.00	90.00	70.00
Automation	726.00	60.50	60.50	60.50	60.50
Postage	300.00	25.00	30.00	10.00	20.00
Office Supplies	386.00	35.00	0.00	0.00	30.00
Audit	1200.00	0.00	0.00	1200.00	0.00
Advertising	500.00	15.00	20.00	0.00	0.00
Membership	300.00	0.00	100.00	0.00	0.00
Miscellaneous	653.44	100.00	0.00	0.00	50.00
	<b>36369.00</b>	<b>2359.93</b>	<b>2174.93</b>	<b>3254.63</b>	<b>2604.93</b>
Cash Surplus <i>(deficit)</i>		1500.07	<i>(1424.93)</i>	<i>(3199.63)</i>	19174.07
Cash balances at the end of month (Assumption is the opening cash is \$0)		1500.07	75.14	<i>(3124.49)</i>	16049.58

## **6. Identifying Sources of Operating Revenue**

Grants provided by the Public Library Services Branch subsidize the daily operating expenses of the public library. When drafting the annual budget, it is important to identify operating revenue and expenditures and capital revenue and expenditures. Capital revenues originate from sources of revenue other than the Public Library Services Branch.

The following sources of revenue would qualify in the operating budget and may be identified in the following manner in the audited financial statements.

### **6.1 Local Government**

#### **6.1.1 Local Government Operating Grant**

Annual funds paid by the local governments that passed by-laws to financially support the operations of the public library. These funds pay operating expenses that recur regularly on a yearly basis. The value of any contributed services or the value of in-kind gifts and donations are excluded. List all municipalities and the funds received from them.

### **6.2 Provincial Government**

#### **6.2.1 Culture, Heritage and Tourism – Library Establishment Grant**

One time grant paid to a library system when a local government establishes library service for the first time. Four fifths of the funds must go towards materials for the collection; the remainder may go towards equipment or furniture expenditures.

#### **6.2.2 Culture, Heritage and Tourism – Operating Grant**

Annual funds received from the Public Library Services Branch matching local government levies up to a maximum of \$8.50 per capita. These funds pay operating expenses such as salaries, office supplies, postage, utilities, cleaning and maintenance, program supplies, promotions, and advertising that recur regularly on a yearly basis.

#### **6.2.3 Culture, Heritage and Tourism – Collection Development Grant**

Annual funds provided to one physical library facility per local government. Funds allocated for books, magazines, audio or visual formats, and other types of library materials collected for public use including the Internet.

#### **6.2.4 Building Manitoba Fund – Rural Library Technological Sustainability Grant**

An annual grant designated for the maintenance and upgrading of technology to enhance the services of the public library.

#### **6.2.5 Other Provincial Government Departments**

Consists of program-related revenue from the Manitoba Government other than the Department of Culture, Heritage and Tourism.

### **6.3 Federal Government Program-based**

Consists of funds received from the Government of Canada to assist in programs or services.

## **6.4 Library Generated Funds**

Consists of fines, fees, non-resident fees, grants received from other local governments or library systems, and local fund-raising activities that assist in the delivery of library programs, services, or collection development. List each source of revenue and the amount generated from it.

## **6.5 Donations**

Donations received directly by libraries with no conditions attached are recorded as revenue in the period they are received. List foundations and private donations and amounts received. Donations of externally restricted funds are to be recorded as revenue in the period in which expenditures are made. If the expenditure is not made at the end of the period the unspent amount is to be recorded as a liability (deferred revenue) in the accounts.

Donations restricted for the purchase of capital assets that will be amortized should be deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

The value of any contributed services or the value of in-kind gifts and donations are excluded.

## **6.6 Restricted Donations**

Identify restricted donations or bequests with a separate account to ensure that sufficient cash is available for the intended purpose.

## **7. Schedule of Function-Related Operating Expenditures Accounts**

Libraries may designate the following operating categories and sub-accounts to identify daily or recurring expenses associated with the operating of a public library service.

### **7.1 Eligible Expenditures from the Municipal and Provincial Operating Grants**

The province will match municipal costs up to \$8.50 per capita to support the following activities:

#### **7.1.1 Personnel Costs**

- Administration
  - Consists of costs of activities relating to the administration of the library system including library administrator salaries and benefits, travel expenditures, and professional membership fees paid by the library on behalf of the library administrator.
- Personnel
  - Consists of salaries, benefits, and travel allowances paid to library staff
- Personnel Professional Development Expenses
  - Registration Fees
    - Conference or workshop registration fees
  - Travel and accommodation
    - Hotels, meals, and mileage costs to attend workshops or conferences
- Travel Allowances
  - Mileage reimbursement and related benefits for library use of personal vehicle
- Benefits
  - The Library's portion of C.P.P., health and group insurance, workers compensation, R.R.S.P. or pension contributions

#### **7.1.2 Building Costs**

Costs associated with the daily operation of the building, and for which, includes assets with a life span of less than one year. The following accounts may be used:

- Rent (Note: Please identify costs that are included in the rent of the facility such as janitorial services, utilities, general maintenance).
- Repairs and Maintenance
  - Costs associated with general repair of the facility such as snow removal, replacement of light bulbs.

- Property Taxes
- Janitorial services and salaries
- Utilities – hydro, water

### 7.1.3 Other Costs

Miscellaneous costs associated with the daily operating of the library. The following accounts might be used:

- Insurance
- Bank charges
- Postage
- Professional Fees – accounting services, legal advice, or other professionally contracted service
- Office Supplies – stationary and other supplies required to maintain office functions
- Telephone – costs associated with telephone services
- Miscellaneous – costs that do not fit in any other part of operating expenditures
- Memberships – fees for the library to belong to professional associations or other organizations
- Audit – costs associated with auditing the library's financial accounts

### 7.1.4 Capital Expenditures

Expenditures for furnishings and equipment out of current municipal operating grant revenue may be included in this section.

- Equipment:
  - Any equipment required for the regular operation of the public library
- Furniture:
  - Any furniture required for public or staff during the operation of the public library

### 7.1.5 Materials Expenditures

Expend the entire annual provincial collection development grant in the year it is received. The Collection Development Grant is to purchase collection materials for public use such as: books, magazines, audio and/or visual formats, eBooks, eSerials (including journals), government documents, databases (including locally mounted, full text or not), electronic files, reference tools, scores, maps, or pictures in electronic or digital format. Include equipment expenditures that are **inseparably bundled into the price of the information service product**; expenditures for materials held locally and for remote electronic materials for which permanent or temporary access rights have been acquired; and expenditures for database licenses.<sup>1</sup>

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<sup>1</sup> 6.Finances. ANSI/NISO Z39.7-2004: Information Services and Use: Metrics & statistics for libraries and information providers — Data Dictionary. c. 2009, National Information Standards Organization, Baltimore, MD. <http://www.niso.org/dictionary/section6/>

Municipalities are encouraged to contribute funds towards the purchasing of collection materials as well.

The following accounts may be used:

- Books
- Audio and/or visual formats
- Magazines/periodicals
- Digital/electronic mediums including Internet fees

#### **7.1.6 Technology Expenditures**

Funds from the Rural Library Technological Sustainability Grant may be used for major computer installations, replacement and repair of existing technology.

The funds may be held in reserve until required to be expended.

The following account may be used:

- Library automation software
- Electronic software licenses
- Technology maintenance contracts
- Electronic or Digital Services
- Internet

## 8. Identifying Sources of Capital Revenue

Revenue from federal, provincial and local governments, and other sources to be used for major capital expenditures. Examples include funds received for a) site acquisition; b) new facility construction; c) additions to or renovation of library buildings; d) new vehicles (bookmobiles); and e) other one-time major projects.

**Excludes** revenue to be used for replacement and repair of existing furnishings and equipment; regular purchase of library materials; investments for capital appreciation; contributions to endowments; income passed through to another agency (e.g., fines); or funds unspent in the previous fiscal year (e.g., carryover).<sup>2</sup>

### 8.1 Municipal Capital Grants

Funds paid by the municipality to upgrade or maintain the facility. These funds are not matched by the Public Library Services Branch.

### 8.2 Provincial Capital Grants

#### 8.2.1 Culture, Heritage and Tourism – Community Places

Funds accessed to renovate or build library facilities.

#### 8.2.2 Culture, Heritage and Tourism – Community Services Council

Funds accessed to assist in capital expenditures.

#### 8.2.3 Federal Government Capital Funds

Consists of funds received from the Government of Canada to assist in building or renovating buildings.

### 8.3 Special Purpose Funds – Capital

Consists of revenue from organizations, institutions, corporations, societies and private individuals other than the Manitoba Government, for renovation or construction projects. List all sources of donations and the corresponding funds received.

It should be noted that grants restricted for the purchase of capital assets that will be amortized, should be deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

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<sup>2</sup> 6.Finances. ANSI/NISO Z39.7-2004: Information Services and Use: Metrics & statistics for libraries and information providers — Data Dictionary, c. 2009, National Information Standards Organization, Baltimore, MD. <http://www.niso.org/dictionary/section6/>

## 9. Financial Statement of Revenue and Expenses

This is the prescribed format that the Public Library Services Branch requires for a public library's audited financial statement.

### Grand Valley Regional Library

#### Financial Statement of Revenue and Expenses

(Note: Fictitious library is funded by four local governments)

#### Revenue

##### Operating

**2007  
Actual**

Local Government	
Town of Grand Valley	-
Village of Tavern	-
R.M. of Beef	-
R. M. of Brick	-
Provincial Government	
Library Establishment Grant	-
Operating Grant	-
Collection Development Grant	-
Rural Library Technology Sustainability Grant	-
Federal Government	
Community Connections Grant	-
Library Generated Revenue	
Fines	-
Equipment Rental	-
Room Rental	-
Non-resident membership fees	-
Book Sales	-
Craft Sale Proceeds	-
Miscellaneous Revenue	-
Donations	
Cora Black's Bequeath	-
Miscellaneous (donations received for less than \$15.00)	-
Undesignated Private Donations	-
Total Operating Revenue	<u>0</u>
Capital	
Municipal Government	
Town of Grand Valley	-
Provincial Government	
Community Places	-
Special Funds	
Treesline Foundation	-
Total Capital Revenue	<u>0</u>
Total Revenues	<u>0</u>



**Expense**

Personnel	
Salaries	-
Benefits	-
Workers Compensation	-
Professional Development	-
Travel Allowances	-
Building	
Repairs and Maintenance	-
Janitorial Services	-
Utilities	-
Other Costs	
Insurance	-
Postage	-
Office Supplies	-
Telephone	-
Professional fees	
CMY Accountant	-
Association Memberships or Subscriptions	-
Miscellaneous	-
Capital Equipment	
Equipment	-
Furniture	-
Capital Building	
Building and Lease Hold Improvements	-
(Funds from Treesline Foundation are expensed here)	-
Materials	
Books	-
Audio and/or visual formats	-
Magazines/periodicals	-
Digital/electronic	-
Books purchased from Cora Black's Bequeath	-
Technology	
Library automation licenses	-
Technical Support Fee	-
Internet	-
Total Expenditures	<hr/> 0 <hr/>

## 10. Frequently Asked Questions

### **Why do public libraries require a financial audit?**

**By law under the Public Libraries Act** (Sections 21 (f) and 27 (g)), audits are required to ensure the transparency of the financial management of the library. Audits are the library board's annual report card and a method to protect library boards and employees and helps ensure accountable library service for the public.

### **What type of auditor can the public library hire?**

A qualified Chartered Accountant, Certified General Accountant or Certified Management Accountant may audit the public library accounts. (The Municipal Act 603 (5))

### **Audits are expensive. Is there anything else the Library can do?**

No. Audits are required for entities that:

- receive municipal funds
- have a municipally appointed board
- have municipal representative(s) appointed to the board (The Municipal Act (186 (1) (b)& (c))

A public library's official audited financial report is required documentation for the Library Operating Grant application. In addition, the public library official audited financial report is a required document for local governments, as they are required to consolidate expenditures in the local government audit under the Public Sector Accounting Board. The new public sector accounting rules will come into effect under the audit of the 2009 records.

Both public libraries and local governments operate on a January to December calendar year. Please ensure that your library's accounting reflects the calendar year.

Time is a factor in the cost of an audit. Financial controls, pre-authorization of expenditures, and accurate records of revenues and expenditures will reduce the amount of time required for the audit.