

expenses are received and disbursed and it is usually the account through which almost all receipts pass. This is the primary fund for the library's annual budget.

A *capital fund* is a separate account established for special one-time, unusual and usually high cost activities such as construction, renovation, or major equipment purchases. Often end-of-year surplus from the operating fund is transferred into the capital fund for future use.

A library may also have an *endowment fund*, which exists independent of the operating fund and whose purpose is to generate supplemental revenue for the library. Often such funds are designated for specific purposes.

Library boards may establish other special purpose funds for accounting and planning purposes. Monies may be transferred into and out of such funds only with formal board approval. Each such fund must be identified in the library's annual audit and its purpose understood by every trustee.

Having acquired funds from a local government, community taxpayers or other sources, the board has an obligation to spend the money! Although a reserve fund is prudent and appropriate, the library should not hoard excessive amounts of money as a hedge against the proverbial rainy day. Local governments, voters, and donors do not give or appropriate money to the library so the board can put it away in a safe place. They are buying service from the library!

Audit and control of funds

Under New York State law, the board of trustees has sole authority over the expenditure of funds appropriated for library purposes. The board, therefore, must have a method in place for the review and approval of all expenditures. All trustees should receive a monthly financial statement prepared or approved by the library treasurer, showing receipts, expenditures, and a comparison with the budget. All expenditures of library funds must be approved by the library board either prior to the expenditure or, for such items as petty cash, recurring utilities or subscriptions, soon thereafter. Each library should have a policy governing such transactions.

All libraries are required to submit a financial report as part of their *Annual Report* to the Division of Library Development. In addition, all public libraries are required to submit an *Annual Update Document (AUD)* to the N.Y. State