Library Districts: a Guide to the First Year

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Chapter 1

Introduction

Congratulations! It took a lot of hard work, time, and effort to become a district. It's going to continue to take a lot of time, hard work, and effort to get you through the first year and a half of being a district. The nice thing is that you are in control of what happens. This is when you begin to make the dreams and ideas of the district committees, the library board, and the library staff a reality. The following joys and concerns come from Marilyn Trosper, Library Director of the North Lake County Library District. MSL staff and other directors have mentioned these items as well.

Challenges of being a library district

- There is an incredible sense of responsibility to set things up and spend money wisely. The voters trust you to do the right thing. That's nice, but scary at the same time. There are people who will help you through this transition, but it is normal to feel intimidated by this responsibility.
- You need to accept that mistakes are inevitable. They aren't the end of the world, but learn to forgive yourself and others for mistakes that happen. Accept that mistakes are part of the process.
- Maintaining a life/work balance is challenging particularly for the library director. The board, staff, and director all need to be aware of this. As a board or staff member be supportive of the director's need to balance life and work - a burnt out director isn't going to help the district succeed. If you are the director make time to relax and take care of yourself during these first years. It's impossible to get everything completed as quickly as you would like, and you must accept that as you work through the process.
- Helping library staff make the transition will be an important part of the director's job, but the board needs to be supportive as well. No matter how much you might have talked to your staff about the district it's all theory until the district actually comes into being.
- There's something about it being real that makes everything different. Be prepared to have conversations about the transition.
- There is a need to continue educating the public. Chances are they don't completely understand what being a library district means. They also might be looking for big changes - changes that take time to implement. Do your best to keep them informed about what is happening at the library.

Joys of being a library district

- Incredible sense of responsibility to set things up and spend money wisely can be exciting and energizing. It forces you to think about things that you once took for granted. It's a well-worn phrase, but the truth is this kind of responsibility can be very empowering.
- You need to accept that mistakes are inevitable, but mistakes are easier to fix. When you are in control of what happens you can respond quickly and fix problems that arise.
- You may have freedom from fighting the same old battles. Unfortunately there are communities where resources are tight, and there is a lot of fighting about money. As an independent library district you probably won't have to fight these battles anymore.
- You see more possibilities and have the energy and time to work toward them. Since you aren't fighting old battles and you are in control of everything you have time and energy to offer new services and options for staff, patrons, and the community.

- You learn and grow - the challenges are good challenges. Change can be a breath of fresh air, because it brings us opportunities to learn new skills.
- It is rewarding to know that you have created a positive legacy for the future! You are in the process of creating a library that can thrive and grow with its community. You have paved the way for future generations to enjoy a wonderful library.

How to Use This Manual

This handbook is designed to walk you through the process of transitioning to an independent library district. Each chapter covers a major area of the transition and includes a checklist that can be used to accomplish individual tasks. You may wish to turn the checklist items into an action plan. This will help you identify what needs to be accomplished, who is responsible for individual items, and when these items need to be accomplished.

Contact Us

Montana State Library staff are here to listen, give advice, and help you connect with others who have been through this process.

- Sarah McHugh, samchugh@mt.gov, 800-538-5087
- Tracy Cook, tcook@mtlib.org, 866-843-6524
- Lauren McMullen, lmcmullen@mtlib.org, 866-730-1681
- Suzanne Reymer, sreymer@mtlib.org, 888-826-0837

Chapter 2

Getting Started - Helpful Hints

This chapter is designed to give you some quick tips for managing the work load when transitioning to a new library district. There will be many things competing for your attention - including the day to day running of the library if you are an existing library. Be realistic about what can be accomplished. Accept that some things won't be completed and realize that it's okay to let some things slide. You will become better and better at identifying what needs to be accomplished today and what can be saved for tomorrow. You also need to become better at delegating (especially if you are the library director).

What if you are a board member? Volunteer to assist the library director. It IS a lot of work to set up a new library district, and your assistance can help ease the heavy workload. Try to remember, however, that there is a fine line between providing assistance and micromanaging. You and the director will need to maintain a balance on who does what.

Develop an Action Plan

Write down what needs to be accomplished in the coming months. You can use the checklist in this handbook to start your plan. However each situation is unique, and this handbook might not cover everything. Talk to other library district directors and/or board members for ideas on what needs to be accomplished.

Identify who will be responsible for accomplishing each task along with a date for when it should be finished. It's always helpful to include enough details that everyone understands what needs to be done to make this transition successful.

Please see the North Lake County Library District Action Plan (http://msl.mt.gov/For_Librarians/Online_Publications/Library_Districts_A_Guide_To_The_First_Year/Appendices/1.pdf) for an example.

Don't try to do everything at once. Yes, we know. We said this earlier, but it's worth repeating. Don't try to do everything at once. Pace yourself and accept that this process takes time.

Work/Life Balance

- If you are a board member make sure that your director isn't taking on too much. Give him/her plenty of support - even volunteering to assist with some of the tasks if appropriate. Yes, you want to make sure things are getting done, but respect and acknowledge the fact that this takes time and be sure that your director is taking time to rest and recharge.
- If you are a director try to manage your workload. Make sure you relax and take care of yourself. Reward all of your hard work with special treats - whatever it is that you enjoy.
- If you are a director observe your staff and make sure that they are doing okay. This transition will be hard for them no matter how much you tried to make it obvious or easy. Everyone is learning in this new environment, so be patient and kind. At the same time challenge your staff by enlisting their help in setting up the new district.

Celebrate Your Successes

- Write down milestones in your action plan and then celebrate when you achieve them. The celebrations don't have to be huge - maybe it's simply cookies or some other treat at work, but do celebrate. You need these small celebrations to acknowledge what you have achieved and to give you energy and inspiration to continue your work.

Checklist

- [ ] Action Plan
- [ ] Work/Life Balance
- [ ] Celebrate Successes!

Chapter 3

Working with the city and county during the transition

Before everything is official you will need the county to take care of a few logistical details for you. After a successful vote keep an eye on things to make sure that you don't miss any important deadlines. It's important to develop good relations with county and city officials so that your transition to a district is as smooth as possible.

County Actions

Within 10 days of the election county commissioners need to certify the results of the election. This begins the process of becoming a library district. See the Certificate of Election (http://msl.mt.gov/For_Librarians/Online_Publications/Library_Districts_A_Guide_To_The_First_Year/Appendices/2.pdf) from Jefferson County for an example of what this looks like.

- Appointment of the district library board will need to occur within 30 days of certification of the election. The county commissioners are responsible for appointing the first library board. Note: If more than one county is in your service area commissioners from all counties will be a part of the appointment process.
- If you are an existing library consider formally asking the county commissioners to appoint the current library board. Most likely this board assisted with the districting process and their appointment should help ensure a smoother transition between the existing library and the new district.
- If you were a branch library or didn't exist at all you will need to find volunteers to serve on the new library board. If you can convince library district volunteers to be on this first board it might help with the transition since these folks helped campaign for the district. The county commissioners might want to have an application process where interested people apply. It's always good to try and represent as much of the new district area as possible so, if appropriate, suggest having representation from each of the main areas of your district. This might even be something to include in the new board's bylaws.
- If multiple different libraries joined forces to create the district you will need to work together to recommend appointments for the first library district board. Most likely some combination of board members from each of the existing libraries should be recommended.
- As quickly as possible start developingpositive relations with the county clerk and treasurer. You will need their help as you transition to becoming a district - even if you choose to handle everything internally.
- Fairly early on in the process you need to talk to the county official in charge of property tax revenue because you need to make sure that you are on the tax rolls, and that the transfer of the district library levy money will happen without any problems. Talk to the county commissioners or clerk and recorder about the process for your county. It might be as simple as writing a letter to the treasurer or clerk and recorder about the number of mills needed.
- If you were a county library or the county was responsible in any way for your existence you will have to work with county officials when it comes to the transfer of staff, cash, facilities, equipment, etc. The process for transferring staff, cash, etc. is similar for both the city and county so it will be discussed in a later section of this chapter.
- Develop good relations with county officials. In particular the clerk and recorder, treasurer, and if the county has one the chief financial officer can help the new district. These individuals play an important role in the process of transitioning

to a new district. They can also help the district by answering questions about budgets, elections, mill levies, and even human resources.

City Actions

If you are a city library or the city in some way was responsible for your creation and continued funding begin working with them to lay the ground work for a smooth transition. You will need their assistance in transferring staff, cash, facilities, equipment, etc. This process will be discussed in the next section.

Memorandums of Agreement

If you were an existing library either under the city or county you will need to work with that entity to ensure a smooth transfer of property, staff, and other library assets. You will also need to work with one of these entities to determine how the district will be funded during the time after the existing funding runs out and before the newly levied mills are collected from tax payers and available to fund the library district. It is helpful to have an attorney review these documents. An attorney can also assist with the process of transferring assets from the city or county to the library district.

- Identify how much money the district will need to operate in the first six months to a year. If you are an existing library who has been receiving mills it might make sense to ask for the mills you would have received if you had remained a city or county library. These mills probably have already been collected and could be used to fund the library. In the best case scenario you would operate as a city or county library until you have started receiving mills from the district levy. This gives you time to transition into being a district library.
- Identify all physical assets that do or should belong to the library and need to be transferred to the new district library - building, contents, equipment, automobiles (if applicable). When you are making a list of physical assets it would be good to know the value of each asset. This information will be useful when the district is setting up the accounting. This process could be tricky because technically the board owns the property in the name of the city or county. Transfers often go smoothly, but this is a grey area.
- Identify all staff positions that need to be transferred from the existing city or county to the new library district. Be sure to include annual leave, sick leave, any health insurance benefits/costs that need to be transferred, and any other benefits such as retirement that also need to be transferred. The new district board needs to agree to assume the cost of funding these items. It is important to find out how much it will cost to transfer the staff to the new district. The board will need to include this amount in its budget.
- Identify all liquid assets that need to be transferred - cash in library account, library depreciation fund monies, and any investments the library may have.

See North Lake County Library District's MOU (http://msl.mt.gov/For_Librarians/Online_Publications/Library_Districts_A_Guide_To_The_First_Year/Appendices/3.pdf) for an example of a MOU.

See the Sample Memorandum of Agreement with City (http://msl.mt.gov/For_Librarians/Online_Publications/Forming_A_Public_Library_District/Appendices/add_B.pdf) from the Public Library District Handbook for another example.

Independent or with County

- Early on in the process of becoming a district you will need to decide whether or not you are going to be completely independent. There is an option of creating an interlocal agreement with the county where you are a part of the county government system.
- Advantages to doing this are:

- County will handle part of the workload (which could include accounting, insurance, personnel, etc.). Plus you don't have to worry about some of the legal details that come up when you are independent.Library staff may be able to take advantage of the county benefits.
- Disadvantages to doing this are:
- It puts you in a vulnerable place as you are going to be dependent upon the county's goodwill. Yes, there is an interlocal agreement in place (which is essentially a contract), but the county could decide to end that agreement when personnel change. They are handling everything, so they do get a say in how your district will run overall.
- You may not have to learn as much of the legalese, but you are going to be in a strange area where questions can come up about who ultimately makes library decisions which could include: who owns the building, who really handles staffing issues, and who is responsible for reports, etc. to the Department of Administration.

Checklist

- [ ] Certificate of Election is completed by county commissioners
- [ ] New board is appointed by county commissioners
- [ ] Decision is made on whether or not to be completely independent or enter into an interlocal agreement with city or county
- [ ] County clerk and recorder or treasurer has added library district levy to the tax rolls
- [ ] Board/director have identified what needs to be transferred to the new district
- [ ] Memorandum of Agreement or Understanding is signed by new district board and head(s) of local governing bodies. See later chapters for more information.

Chapter 4

Paperwork, paperwork, paperwork!

We're not going to lie to you. The first few months are filled with paperwork. Of course a lot of this may not apply to you if you decide to fall under the umbrella of the county. However if you decide to go with the independent option you are going to have to sharpen your paperwork submittal skills. We'll touch on the initial/generic paperwork here. The next chapters will focus on major issues and the paperwork required at that time.

Employer Identification Number

If you are choosing to be independent you need to apply for an Employer Identification Number (EIN). Even if you hire someone else or contract with the county to handle payroll you are ultimately responsible for your employees and for payroll. In fact payroll will have its own chapter. For now apply for an EIN. This should be the first thing you do.

If you are an existing library you might already have an EIN - however if you have changed your name you need to apply for a new one. So how do you do that? Visit the IRS website at http://www.irs.gov and search for Employer Identification Number. Chances are that a link to "Apply for EIN online" will appear on the front page. It's relatively straightforward.

Name Change

If your name changed when you became a district you need to let people know. In many cases a simple letter should work, but each place is different. This is an initial step. Some of these agencies may require additional application forms because you are a new district. You will be working with many of these agencies on a monthly or annual basis. At this point you are making them aware of your existence so they can help you work through the requirements of each agency.

Here are some of the people you will need to contact (there are probably others):

- Montana State Library - you will need to complete a W-9 form which can be obtained by contacting Carol Churchill at the State Library's accounting office at 406-444-5348 or visiting the Department of Administration's website at http://accounting.mt.gov/accountingformsinfo.mcpx. The name of the form is Substitute W-9 form. This form is important because we need the information on it in order to send the new district state aid money.
- City or County Officials
- State agencies
- Department of Administration (http://doa.mt.gov/lgsb/default.mcpx)
- Department of Labor and Industry (http://dli.mt.gov/)
- Montana State Department of Revenue (http://revenue.mt.gov/default.mcpx)
- Montana Public Employees Retirement Administration (PERS) (http://mpera.mt.gov/index.shtml)
- State Social Security Administrator (http://accounting.mt.gov/sssa.mcpx)
- Vendors
- Friends or Foundation
- Other government entities - such the Internal Revenue Service

- The community - including the newspaper, library supporters, and residents

Notify Department of Administration

Technically the county is supposed to notify the Department of Administration of your existence, but that might not happen. So you either need to ask the county to do this for you or take the lead, complete the paperwork, get the county's signature, and send the form to the Department of Administrations Local Government Services Bureau. Here's their website: http://doa.mt.gov/lgsb/default.mcpx. You should find a link to "Entity Notification" under "Other Information" which is on the home page. If not simply call the main office number at 406-841-2909 to ask for assistance.

Create List of Contacts

It is a good idea to create a spreadsheet with the different names, contact information, and username/password information for each of the agencies that you have contacted. You will use this information throughout the year. It is also important that at least two staff members have access to this spreadsheet, and that you maintain it.

Checklist

Please be aware that once submitted paperwork can take a long time and go through many hands before it is completed. It is a good idea to keep a record tracking paperwork: who filled it out, if they had questions the date and time of the person from that office who helped them, when it was signed and by whom, when it was submitted, etc. If there is a question as to if it was done, who did it, or why they did it that way--you will be grateful to have those details at your fingertips.

- ☐ Completed W-9 and notified Montana State Library of name changes
- ☐ Applied for an EIN which means you have notified the IRS of your name change and new district.
- ☐ Notified city/county/pertinent state or federal agencies of name changes
- ☐ Completed paperwork for the Department of Administration
- ☐ Notified Friends/Foundation of name changes
- ☐ Notified any trust funds of name changes
- ☐ Notified vendors of name changes
- ☐ Placed an article in paper or use local community publications to notify the public of name changes and new district q

Chapter 5

Accounting and other money matters

Accounting and payroll are generally going to be the two most challenging tasks that you will have to set up and implement. Early on in the process of becoming a district you need to decide how you will handle accounting for the income and expenses of the district. Plan wisely because your decisions will influence almost every aspect of the district's work.

Funding during the transition phase

No matter when the vote happens you are probably not going to have funding right away. Generally speaking these elections occur in between the two times of year that property tax bills are sent to residents so there will be a period of about six months where you will not have any funding. Depending on your circumstances it could even be one year from the date of the election certification before you receive funding.Because of this you need to work with the city and/or county to determine whether or not they will carry you for that period of time. Other library districts have been funded by their local government officials so they did not have to pay back their loans. This is an option that you may be able to successfully negotiate. Hopefully the district planning committee explored this option, and you know what to do now that you are officially a district. If not you will have to start from the beginning. If the city/county is willing to either loan or give money to the library begin writing a Memorandum of Understanding (MOU) between the district board and the city that spells out how much money the city/county will either give or loan to the library. If it is a loan the MOU should also talk about how much the library will pay back annually and what the interest rate will be.

Decide how to handle accounting

You basically have three options for keeping track of the income and expenses of this district. Not doing anything is NOT one of the options. This is public money so you must follow -or make sure the person you hire follows- all local, state, and federal laws when it comes to handling public money. We don't want to scare you, but this is serious business. So what are your options? When considering each of these proposals please keep in mind that whatever you choose needs to work with the special issues that come up in government agencies. You need to look for software and an accountant - if you go that route- that can handle the intricacies of governmental accounting.

- Handle all accounting internally - a library district staff member or members will keep track of revenues, assets, liabilities, and expenses. It's not as bad as it sounds, but there is a steep learning curve initially.
- Pros
  - you are in control of everything
  - you can create accounts, etc. that work well for your library (although there are limitations on this one)
  - keeps everything in house
  - after initial expenses this might be the cheapest option in terms of money outlay
  - probably the cleanest in terms of the way the law is worded
  - the city/county or department of administration can help you as you learn the ropes
  - library staff are familiar with library expenses which hopefully leads to a streamlined process for library efficiency
  - it is easier to correct mistakes

- Cons
  - there is a steep learning curve
  - you are responsible for everything
  - the initial software can be expensive
  - you will need to set up an internal control system - in other words checks and balances for handling money, reporting it, etc.
- Hire a private firm/individual - a private company will keep track of revenues, assets, liabilities, and expenses. They will also have to file reports for you.
- Pros
  - Someone with accounting experience (hopefully governmental accounting experience) is handling the accounting for the library. Library staff don't always have a lot of knowledge about accounting so it's nice to have someone who can hit the ground running.
  - You can work with this person to develop a chart of accounts, etc. that works well for your library
- Cons
  - This can be an expensive option
  - You still need to make sure that all of the proper reports are being filed
  - You do lose some control over how things are handled and will have to communicate regularly with this person to keep things on track
- Contract with the city or county to handle accounting for the district - the city or county has a library fund and handles all of your revenues, expenses, etc.
- Pros
  - City or county have personnel with governmental accounting experience so you don't have the steep learning curve. They will most likely have experience with filing reports, etc.
  - This will probably give you the smoothest transition since you are continuing to work with the city or county.
- Cons
  - You have to work with the chart of accounts that the city/county has for the library
  - You don't have complete control over the accounting and reports and will have to communicate regularly with the city or county to make sure things are completed correctly.
  - The success of going with the city/county is dependent upon your relations with those individuals. If personnel changes the arrangement might be altered, and you may be forced to use one of the other options.
  - There might be a charge for using the city or county.

Paperwork and other details

What you do next will depend upon the decision you made for accounting. If you chose to handle the accounting internally or hired a private company to handle the accounting you need to:

- Set up accounts at a local financial institution. You will need account(s) where money can be deposited and used to pay bills. To set up this account you will need an Employer Identification Number (EIN). If applicable consider having the board chair and director both have to sign each check. The director or employees will be very vulnerable if there is not a good check and balance system for who has access to and reviews the accounts. You may also want to add a second staff member in case the director is on vacation when checks need to be signed.
- Develop a positive relationship with an accountant - especially one with governmental accounting experience. S/he may be able to assist you as you learn how to account for your income and expenses. You may even need to budget money to pay the local accountant for advising you. Alternatively you can also work with the city or county clerk and recorder.

They can also be of assistance. The downside is they often have heavy workloads and might not be able to assist you in a timely manner.

- Develop a relationship with the Department of Administration's Local Government Services Bureau. They can also assist you with setting up your chart of accounts, handling income and expenses, and filing any required financial reports. Visit http://doa.mt.gov/lgsb/default.mcpx to find the representative for your county.

Set up your chart of accounts. These must conform to BARS - the Budgetary Accounting Reporting System. Because you are a government agency you are required by the Montana Code Annotated to use the BARS system to create your chart of accounts, record your revenues and expenses, and create pertinent reports. The Department of Administration's Local Government Services Bureau can assist you with this process. You can learn more at http://doa.mt.gov/lgsb/Forms/AccountingSystemsProgram/1_AccountingManuals/default.mcpx (http://doa.mt.gov/lgsb/Forms/AccountingSystemsProgram/1_AccountingManuals/default.mcpx)

Pass resolution(s) to create a library depreciation fund and/or other memorial funds. The district board can create a library depreciation fund to save money for capital improvement projects, purchases, and/or the purchase of equipment. See MCA 22-1-716 (http://data.opi.mt.gov/bills/mca/22/1/22-1-716.htm) for more information about depreciation funds. The board needs to pass a resolution for any other special types of funds. The Department of Administration's Local Government Services Bureau can help you with this process.

- Purchase software to keep track of your accounting. If you go with a local firm or individual they may have recommendations. There are software packages designed for governmental accounting. They can be expensive, but are designed for government entities such as a library district. Contact the Department of Administration for more information.
- Design claim forms, petty cash forms, donation forms and any other paperwork that will assist you with accounting. You can use your current system as a guide or ask for examples from the city, county, or other library districts. You need some kind of trail to help you keep track of revenues and expenses.

Review the Local Government Budget Act (http://data.opi.mt.gov/bills/mca_toc/7_6_40.htm) (MCA Title 7, Chapter 6, Section 40). This important set of laws will need to be followed. The Local Government Services Bureau of the Department of Administration says special districts are expected to follow the local government budget act in as much as applicable. The library district is expected to follow the rules that apply to counties.

Contact the Internal Revenue Service (IRS) to obtain paperwork that confirms your government entity status. Foundations and others who give grants want to see this information when the library is applying for a grant in order to be assured of the library's tax-exempt status. The website for government entities is http://www.irs.gov/Government-Entities (http://www.irs.gov/Government-Entities).

- Identify how to handle investments. Through the transfer of money to your district or over time the library will have grants and/or other large donations that need to be invested. A foundation can do this for you, but for a variety of reasons the library board may wish to have investments handled by a local accountant and/or the local governing body. You need to talk to your city or county to find out if they would be willing to handle your investments. If they are that should be included in an MOU. If they are not interested or the board wants a local accountant/financial manager to handle the investments the board should consider purchasing Crime Insurance. This insurance covers the library if the person handling the money commits fraud. It can be acquired through a local insurance agent such as the one you might use for errors and omissions insurance and/or building insurance.

Transfer of cash and other liquid assets

This may not be applicable if you have chosen to work with the local government unit who handled your accounting before you became a district. You might want to check with an attorney if you have any concerns about this one

If you have chosen to handle your accounting internally or have chosen to hire someone privately then you will need the city or county to transfer your cash and any other liquid assets to the financial accounts that you set up earlier. Liquid assets might be a library depreciation fund and/or donations, grants and other sources of revenue dedicated to the library.

Develop agreements with the Friends and Foundation

If you have a Friends of the Library or a Library Foundation you need to develop a new agreement with them. In fact they may need to change their bylaws to show support for the new library district. Sometimes we forget about our Friends or Foundation, and they begin to feel neglected. The boards of those organizations may be confused about their role and what is expected of them. Be sure to talk to them early on in the process about any changes that need to happen. This will help ensure that things go as smoothly as possible for them and the library.

Funding for the First Year

Remember to make sure that you are on the county property tax rolls. This one is important so we are mentioning it twice. Immediately begin talking to the clerk and/or treasurer about their deadlines and what they need from you in order to add you to the property tax bills. It might be as simple as writing a letter to the treasurer or clerk and recorder about the number of mills needed. Mill levy deadlines are pretty early, and you don't want to miss out on a year's worth of funding simply because you missed a deadline or failed to submit the required paperwork. Please see the sample letter to the county clerk and recorder (http://msl.mt.gov/For_Librarians/Online_Publications/Library_Districts_A_Guide_To_The_First_Year/Appendices/4.pdf) for an example of how to let the county know what mills you need.

Checklist

- ☐ Choose which method you are going to use for accounting - internal, contract with private firm, or contract with city or county
- ☐ Contract with the city or county for accounting and follow through on any tasks necessary for creating this accounting process - only necessary if choosing to have city or county handle accounting
- ☐ Contract with a private firm to handle accounting and then follow through on any tasks necessary for creating this accounting process - only necessary if choosing to have a private firm handle accounting. NOTE: many of the tasks for this one will be the same as below.

If handling accounting internally (or hiring a private firm)

- ☐ Apply for EIN
- ☐ Set up bank accounts
- ☐ Contact the Department of Administration's Local Government Services Bureau for assistance
- ☐ Purchase software
- ☐ Create chart of accounts
- ☐ Create forms for reporting revenues and expenses
- ☐ Board needs to pass resolutions establishing a library depreciation fund as well as memorial funds. The Department of Administration can help with these.

- [ ] Develop a relationship and/or contract with an accountant familiar with governmental accounting
- [ ] Contact the IRS for paperwork confirming your tax-exempt status
- [ ] Identify how to handle investments - through local investment manager or the city/county.

If you haven't already done so

- [ ] Develop a Memorandum of Understanding or Agreement with the city or county for funding for the first year
- [ ] Make sure the new district is on the property tax rolls for next year

Chapter 6

Payroll and Personnel

In many cases this is the hardest piece of being an independent district. Payroll can make regular accounting tasks look easy. You have to work with different agencies and comply with human resource laws which can be complicated. If you chose to enter into an interlocal agreement with the city or county then you can ignore most of this chapter. It might be good to review it however. Even if you have contracted with the city or county you are still responsible for personnel issues.

Remember to talk to your staff regularly about what is going on in the transition phase. Staff might be anxious about this process because it deals with their pay and their jobs. Meeting with them frequently and communicating regularly and often about what is happening should help alleviate some of their concerns.

Initial Decisions

Like accounting you need to decide how to handle payroll. You may choose to handle accounting internally while hiring a private firm or individual to handle your payroll. This is acceptable so long as you recognize that you are still the one responsible for what happens with payroll. No matter which option you choose it is important to make sure that payroll is being accounted for properly. The pros and cons of each decision are similar to those mentioned in the accounting section.

To make the transition easier try to keep things consistent with how they were done before. For example if employees were paid monthly continue that tradition. You may want to change these things in the future, but if you follow a similar process it will be easier to transition for you and your employees.

Take a class

Find out about classes held annually around the state for new businesses. These classes may be offered through the local job services and can help you with payroll and personnel details. Experts from different entities (worker's comp, unemployment insurance, Department of Labor and Industry, safety and others) present small snapshots of their functions throughout the daylong event. Attendees are able to ask specific questions, have access to helpful handouts, including posters you are required to have posted, etc. Plan on attending one of these each year - there are always NEW things to learn.

Notify Revenue Departments - State and Federal

In order to set up payroll and handle personnel issues later on you will need to notify the Internal Revenue Service (IRS) (http://www.irs.gov/) and the State of Montana's Department of Revenue of the new district's existence. Note: you might not need to do this if you contract with the city or county to handle the district's accounting and payroll. Talk to the clerk and recorder to learn more.

If you choose to be completely independent then you need to register with the Internal Revenue Service as an employer. This means applying for an EIN as mentioned earlier, completing W-4 forms for all of your employees as well as other duties. See "Publication 15: (Circular E) An Employer's Tax Guide" (http://www.irs.gov/pub/irs-pdf/p15.pdf) for general information about being an employer. It's designed for first time employers. See "Publication 963: Federal-State Reference Guide" (http://www.irs.

gov/pub/irs-pdf/p963.pdf) for more information about being a government employer. The IRS has a department dedicated to assisting public employers. You can visit it at http://www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments. The toolkit is particularly helpful for new employers.

Local government employers (this includes districts) fall into a special category when it comes to Social Security. All states have entered into what is called a Section 218 agreement with the federal government. This is very simplified but there are guidelines for employees and who has Social Security and Medicare taxes withheld and who does not. It's based on a number of factors that are too complicated to tackle here. What you need to do is contact the Montana Social Security Administrator for assistance. S/he can help you figure out what you need to do to correctly withhold Social Security and Medicare Taxes for your employees. Here is the website: http://accounting.mt.gov/sssa.mcpx.

In addition you need to register with the State of Montana Department of Revenue to make sure that state income tax is withheld from employees' paychecks. The Department of Revenue offers an online service where you can complete required forms. Visit the wage withholding site (http://revenue.mt.gov/forbusinesses/Wage_Withholding_Tax/default.mcpx) for a direct link to information and forms required of employers or you can contact the Department of Revenue directly to ask questions. They can be reached at 1 (866) 859-2254.

Personnel

The following list will give you some guidance on handling personnel issues. This list is useful no matter which option you choose when it comes to personnel and payroll. Even a district that has contracted with the city or county needs to adopt a personnel policy that has guidelines for hiring, disciplining, and terminating employees. If you have contracted with the city or county you will either need to adopt their policy or get their approval of the personnel policy you have adopted. Please be aware of whether or not your employees are part of a bargaining unit. If so, the policy will have to conform to that agreement and might even have to be reviewed by the local bargaining unit before it governs members of that bargaining unit.

- Adopt a personnel policy. This should be a high priority for the library board. There is so much to do at the beginning of this process that the board may wish to adopt an interim personnel policy. The board and director can work on this policy throughout the year, but there needs to be some sort of policy in place. If you currently don't have a personnel policy review the city or county's policies. In many cases local government policies will work well as an interim document. Personnel policies should cover things like:
- Hiring employees
- Disciplining employees - including termination
- Vacation, sick leave, and comp time policies
- Non-exempt versus exempt employee status - this determines whether or not someone earns time and a half during overtime
- Holiday pay
- Grievance procedures
- Break and lunch time information
- Wages - board members should discuss a process for raises as well as considering things like offering a living wage for employees. Library employees are often motivated, caring individuals, but they need a decent wage to survive. Paying employees a living wage will improve the work environment which generally leads to a more productive work force.
- Adopt interim job descriptions unless you have new positions. If you are a completely new system then you will need to develop basic job descriptions for your employees. Contact other libraries for sample descriptions. You can also search the Internet to find several examples. If you are an existing system it's probably best to adopt your current descriptions until you have time to develop new ones. If you have contracted with the city or county you will probably have to adopt their format and ask them to review your job descriptions. Please be aware of whether or not your employees are part of

a bargaining unit. If so, the job description will have to conform to that agreement and might even have to be reviewed by the local bargaining unit before it governs members of that bargaining unit.

Complete I-9 forms (http://www.uscis.gov/files/form/i-9.pdf) to meet the requirements for the Department of Homeland Security's Citizenship and Immigration Services office.

- Transfer staff and benefits to the new district. If you are NOT contracting with the city or county make sure you have a Memorandum of Understanding/Agreement with the city or county to transfer all staff and their benefits. Remember the new district board has to assume the costs of this transfer. This means budgeting money to pay for vacation and sick leave as well as budgeting money to pay employees severance pay if they quit or retire.

Acquire worker's compensation insurance. You can do this locally through a nearby insurance agent or you can visit the State of Montana's Department of Labor and Industry (http://erd.dli.mt.gov/workers-comp-regulations-bureau.html) website for more information. If you have volunteers don't forget to add them to your insurance policy.

- Complete the paperwork for health insurance. Health insurance is challenging for small organizations, but it is an important benefit for many employees. Changes in the law and creating a positive work environment make it a good idea for library boards to offer health insurance. If you are going to provide health insurance for your employees investigate your options and complete any necessary paperwork to obtain quotes and/or the insurance itself. Possible options include:

Becoming a member of the Chamber of Commerce and taking advantage of their health insurance, Chamber Choices. Find out more at http://www.montanachamber.com/member-benefits/group-health-insurance/ (http://www.montanachamber.com/member-benefits/group-health-insurance/)

Offer money to your employees in order for them to purchase their own health insurance. This often involves setting up what is called a health reimbursement arrangement. To learn more review IRS "Publication 969: Health Savings Accounts and other Tax-Favored Plans (http://www.irs.gov/pub/irs-pdf/p969.pdf)."

- Investigate insurance options through companies like Blue Cross/Blue Shield.

Complete paperwork for PERS if offering retirement benefits. PERS is the retirement system for government employees. It is managed by MPERA - Montana Public Employee Retirement Association (http://mpera.mt.gov/index.shtml). Visit their website for contact information and access to important information and forms.

Complete paperwork for unemployment insurance. This is a cost of doing business. Visit the Department of Labor and Industry's (http://uid.dli.mt.gov/) Website for information about unemployment insurance.

- Create timesheets and any other necessary paperwork that employees need to complete - such as leave requests, FEMA (Family Emergency Medical Act) requests, or accident reports. Talking to your city or county human resources department can be helpful. You can probably use city or county forms as a guide. If you have contracted with the city or county you will probably have to adopt their format and ask them to review your forms.
- Develop a relationship with someone in the city, county and/or state who handles human resource questions. This is a tricky area and a knowledgeable person can help the director and board navigate hiring, evaluation, discipline and even termination questions. If you have contracted with the city or county you will probably have to include their human resources department in all personnel matters. If your employees are part of a bargaining unit, personnel issues might also involve the local bargaining unit's representative and/or legal advisors.

A note about independent contractors

The district may need to hire people at various times for maintenance work or even consulting with library staff and the board. Anyone who comes on the premises to do work for the library needs to have a current Independent Contractor license OR an Exemption Certificate on file with the library. If not, your Worker's Comp carrier may ding the library for not having the proper paperwork, and it affects your Worker's Comp coverage rates. Insurance carriers will be aware of this and will scrutinize the new district. For more information about independent contractors please visit the Independent Contractor Central Unit Website for more information: http://erd.dli.mt.gov/workers-comp-regulations/montana-contrator/independent-contractor-central-unit.html.

Payroll

If you decide to handle payroll on your own it's a good idea to visit with the city or county's human resources person before starting the process. Ask him or her about setting up payroll, challenging areas, pitfalls to be avoided, and any other advice they can give. If that's not possible then try visiting with a local accountant who handles payroll. This initial meeting can really help with setting up payroll for your employees. Payroll is another area where it is good to have two people who know how to process payroll. This helps with checks and balances and also gives the district a backup person if the main payroll person is on vacation. In general the following things need to be completed:

- Enter employee information into your software. This information includes employee's name, contact information, hourly or annual wage, sick and vacation leave earned, and the cost of health insurance and/or retirement if applicable.
- Set up the connection between your bank and your payroll system. Don't forget to enter any pertinent information for automatic deposits for employees.
- Set up pay stubs and reports so that this is ready to go when you need to pay your staff.

Complete paperwork for the Internal Revenue Service to pay federal income tax, Medicare, and Social Security. It's good to have these payments withdrawn automatically. Review "Publication 963: Federal-State Reference Guide" (http://www.irs.gov/pub/irs-pdf/p963.pdf) and "Publication 15: (Circular E) An Employer's Tax Guide" (http://www.irs.gov/pub/irs-pdf/p15.pdf) for more information about how this works.

Contact the State Social Security Administrator (http://accounting.mt.gov/sssa.mcpx) for assistance in determining which employees need to have Social Security and Medicare taxes withheld. You may hear the phrase "Section 218 Agreement." This is an agreement that states, local governments, and the federal government entered into many years ago. It's a complicated process so you really need to visit with the state administrator. S/he can assist you.

Complete paperwork for the State of Montana's Department of Revenue to have state income tax withdrawn from employee paychecks. Like the IRS the library district will need to set up payment to the State of Montana. Visit the State of Montana Department of Revenue's wage witholding website (http://revenue.mt.gov/forbusinesses/Wage_Withholding_Tax/default.mcpx) for more information.

- If you have not already done so complete any Department of Labor and Industry paperwork to make payments for worker's compensation and unemployment insurance.
- Complete paperwork for PERS to make payments for retirement benefits if applicable.
- Complete paperwork for insurance withdrawals if applicable.
- From your personnel policy identify when staff will be paid and then set up a schedule for completing the tasks necessary for payroll. This includes things like timesheet submittal deadlines, entering that information into the system, making sure that all necessary deductions are made, and anything else your accountant advises.
- Consider a "test" run where you go through the process. This helps you identify things you need to do and/or fix.
- Set up a checks and balances system for payroll. If at all possible have one employee enter all of the data while another employee double-checks the data.

Checklist

- [ ] Especially if you are under a county or city government MOA, investigate their expectations and all the information they can provide including whether or not your employees will be considered part of a bargaining unit.
- [ ] Talk to human resource person about this process. City/county clerk is a good place to start.
- [ ] Take one of the annual classes offered for businesses that helps with the payroll and personnel process
- [ ] Contact the Montana Social Security Administrator
- [ ] Complete paperwork for IRS Complete paperwork for State of Montana Department of Revenue
- [ ] Complete paperwork for Department of Labor and Industry
- [ ] Complete paperwork for the Department of Homeland Security's Citizenship and Immigration Services office (I-9 forms)
- [ ] Adopt an interim personnel policy or formal one if you have time
- [ ] Adopt interim job descriptions or create them if they don't exist
- [ ] Transfer staff and benefits to new district if applicable
- [ ] Complete paperwork for health insurance if applicable
- [ ] Complete paperwork for retirement benefits if applicable
- [ ] Create timesheets and other payroll/personnel documents
- [ ] Talk to city/county clerk and recorder for advice on setting up payroll system
- [ ] Set up payroll system if handling payroll internally
- [ ] Set up connections between software and bank
- [ ] Enter employee data into system

Make sure that a system is in place for paying

- [ ] Federal and state income taxes
- [ ] Medicare
- [ ] Social Security
- [ ] Worker's compensation
- [ ] Unemployment insurance
- [ ] Health insurance (if applicable)
- [ ] Retirement (if applicable)

- [ ] Set up checks and balances within system
- [ ] Run through payroll in a test environment to identify any problems, etc.

Chapter 7

Property and other assets

If the district is completely new and was never a public library then you will need to implement any plans that you developed during the district planning process. Please contact Montana State Library staff for assistance if you are in this situation. Because most of the libraries we work with are existing libraries this chapter will focus on what you need to do if you are currently a city, county, or other type of library.

Transfer Assets

For most libraries the city or county is the legal owner of property - the buildings, its contents, perhaps even the land. Although the library board has complete control over what happens with those assets they are legally owned by the local governing body. Because of this the new library district board will need to negotiate a Memorandum of Understanding/Agreement with the local governing body. The MOU should include the following information:

- Transfer of the building and land to the new library district board. If necessary this may include payment to the local governing body for those items. So far library districts have been able to negotiate agreements where they receive the property free and clear.
- Transfer of the contents of the building - books, equipment, furniture, etc. Again you need to include costs if the local governing body wants payment for these items. However if this seems likely you might mention that the taxpayers have already paid for these items once. This logic has worked for other new districts.
- Transfer of vehicles or any other equipment, property, furniture that the library uses as well as any costs or pertinent information about each of the items.

Obtain Insurance

You will need property insurance to cover the building, equipment, and its contents. Contact a local agent for quotes. This might give you the best deal. In addition you can contact the Montana Association of Counties (MACo) for information. MACo may be able to insure district property. They can put you in touch with insurance agents who are familiar with MACo policies. Visit the MACo website (http://www.mtcounties.org/) for more information. Other library district directors will also be helpful when it comes to acquiring insurance. Please contact other district directors for ideas, things to consider and information about special insurance riders, etc.

Maintenance, Repair, and Utility Costs

Since we live in Montana there's a good chance that you will need to shovel snow or perform some other kind of maintenance on the building, property, and/or equipment. Be sure to budget some money for handling maintenance of the building and/or equipment. It may be good to identify local businesses that you can hire for routine maintenance work. If you have no idea what to budget look at past library budgets or talk to the city or county clerk and recorder to get an idea of what has been spent in the past. If you establish contracts for specific work it would be wise to have legal advice and investigate whether those you hire should be licensed or bonded. Most likely these individuals will need to have an independent contractor license. Please visit the Independent Contractor Central Unit's website for more information: http://erd.dli.mt.gov/workers-comp-regulations/montana-contrator/independent-contractor-central-unit.html. This unit is based under the Department of Labor and Industry.

If the building or any equipment requires expensive repairs or work don't forget that you will need to follow the competitive bidding process outlined by the county. You can also create your own policy, but we recommend matching the county's policy. The competitive bidding process is the practice of getting multiple bids, developing criteria to select someone, and then selecting them following an open and transparent process. Depending on the circumstances you may wish to follow the competitive bidding process for smaller jobs as well.

Be sure to include utility costs in your budget as well. The city or county may have paid for these items in the past, but the district will need to cover them now. Be careful about continuing an arrangement with the city or county when it comes to utility costs. It seems like a great idea to have the city/county continue payment of utility costs, but if personnel change the district could suddenly find itself with large utility bills and no way of paying for them. It's cleaner and more transparent if the district pays for its own utility bills. You may need to work with the local utility companies to have bills sent to the library directly.

Establishing a library depreciation fund is also very important, even if the district cannot contribute large sums of money to it in the beginning. This fund can be invested and will hopefully grow over time so that when your building needs a new roof or other major building project done--the district will have some money to put toward those large bills rather than depending on intercap governmental loans, passing a bond, or fundraising. Please visit the Montana State Library's Frequently Asked Questions site for more information about library depreciation funds: http://msl.mt.gov/For_Librarians/For_Public_Librarians/Library_Law/FAQ/default.asp.

Depreciation of Assets

In the world of accounting buildings and equipment lose their value over time. It's no different than a personal vehicle which is worth a lot more brand new than when it is 20 years old. The city or county has probably been handling the depreciation of the library's assets, but if you are handling the accounting internally (or hiring a private firm) you need to get this information from the city or county. They will have a report or spreadsheet that lists each item when it was put into service and how much it has depreciated over time. At the end of the year you will need to update this information. We'll mention this again when we talk about reporting requirements.

Checklist

- ☐ Complete Memorandum of Agreement or Understanding with city or county to transfer property, building, equipment, and contents of the building
- ☐ Obtain insurance for property and other assets
- ☐ Budget money for maintenance, repair, and utility costs
- ☐ Work with local utility companies to ensure that bills are sent to the library
- ☐ Research how the competitive bidding process works
- ☐ Establish a library depreciation fund if you have not already done so.
- ☐ Obtain information about library assets and depreciation from city or county

Chapter 8

The Library Board and its Duties

The library board needs to meet soon after its initial appointment. During this meeting the board and director need to discuss what needs to be accomplished in the first year. The board will also need to elect officers at this meeting. Over the next few meetings it will be important to review the Trustee Handbook put together by the State Library and review laws with which the board will need to comply. The board will have some duties assigned to it during the transition process, but needs to remember that one of the most important duties it has is to support the director and staff through the transition phase.

Create and adopt an action plan

The board, director, and staff need to create an action plan. It doesn't have to be fancy, but it does need to list your to-do's for the next year and a half. As you can see from the handbook there is a lot that needs to be accomplished. The board, director, and staff need to identify those things, and the board needs to at least review the plan if not officially adopt it.

Where appropriate board members should volunteer to complete some of the duties listed on the action plan. Certainly the board will be responsible for adopting new policies, certain public relations duties, and overseeing the process. However there may be other duties where board members can help. For example obtaining insurance quotes or volunteering to review various documents that are being created. Each library is different and the board and director will need to find a healthy balance that works well for board members, the director, staff, and the community.

Board members need to frequently review the plan and check on the state of progress toward implementing it. When necessary board members may need to assist with certain duties, encourage staff to complete a duty, or in some cases remind staff and the director to be patient. Some items on the action plan will be relatively straightforward while others will take longer. This is a normal part of the process. The board is responsible for making sure that things are completed, but board members need to recognize that things are fairly fluid. There will need to be many adjustments along the way.

Support library staff

Board members need to provide support and encouragement to staff as this transition work continues. If possible board members should find ways to reward or treat staff members who are carrying the double workload of starting the new district and running the library. Perhaps board members can buy lunch for staff members or provide coffee/tea and snacks one morning. Little things can go a long way toward making staff members feel appreciated for their efforts.

Adopt bylaws for the board

Fairly early on the board will need to adopt at least an interim set of bylaws for board meetings and actions. This document will indicate how the board functions, who the officers are on the board, the duties of the board and officers, and how to handle disputes or other issues. If the board is the old board from a single library then it might make sense to adopt the older bylaws with the necessary name changes. If not then board members may need to spend some time creating new bylaws.

Hire legal counsel

There are a lot of legal details in the transition phase, so the board may want to consider hiring or finding legal counsel to help them review things like the Memorandum of Agreement as well as resolutions the board passes. As time goes by the board may not need legal counsel as much, but in the beginning an attorney can be very helpful.

Purchase errors and omissions insurance

Chances are the former library board was covered by a city or county policy, but the new board will need to purchase its own errors and omissions insurance. This insurance covers the board if they are sued by someone over a non-personnel related decision the board made. In essence it is liability insurance for the board. Contact your local insurance agent or MACo to get quotes for errors and omissions insurance. The board can purchase extra insurance to cover personnel liabilities--but that can be much more expensive.

Begin work on a long range plan

Until the transition is complete the board and director won't be able to do a lot of long range planning, but it is a good idea for board members and the director to review any promises that were made during the district campaign. If the campaign promised the community that certain services would be offered the board and director need to identify how and when to implement those services. Some things may have to wait until the district is up and running, but it is good to offer those services that you can. This shows the community that you are paying attention to their needs, and that you are keeping your promises. Keeping promises builds goodwill. All of this work and effort is about better serving the community. It's important to remember that as you go through this process.

Begin adopting policies

It is a good to develop some interim policies to put in place until the board can review, change, and develop better policies. Policy development should be a thoughtful process so the board and director need to take their time as they adopt new policies for the district. If you are an existing library this might mean adopting your current policies. If you are not currently a library then you will need to at least adopt a personnel policy and some basic policies about use of the library.

Adopting interim policies will give the board and director time to develop policies that reflect the mission and services of the new library district. Perhaps there are some things that need to change as the library becomes a library district. This is a good time to make those changes. The board may want to appoint one or two board members to a policy committee that also includes the director and/or staff. This committee can review policies and present them to the full board throughout the year.

Adopt resolutions and a budget

It may be necessary for the board to adopt certain resolutions. For example the board may need to adopt resolutions to create a library depreciation fund or a special fund for memorials and donations. The Department of Administration wants the board to adopt these resolutions as part of good accounting practice.

Board members will need to create a budget for the library. The director and past budgets for the library will be helpful when creating a budget. You will have two budgets - a transition budget and the first official budget for the district. The transition budget will probably be pretty minimal as it is the budget that carries you through the first year. If the city or county has loaned money to the new district the board and director will want to try and minimize costs in order to keep from having to pay back large amounts of money.

The director should work with the county clerk and recorder to find out when budget materials are due to the county. The board and director will then need to work on the first year official budget for the district. This is a good time to review what services were promised and to assign money to those services as appropriate. The board may also need to add additional funding for legal counsel, insurance, utilities, and maintenance. These are costs that may have been covered by a city or county but now need to be covered by the library district.

The Board and Director should also remember to add in reserve money. The library will receive its property tax revenues four times a year. This may vary, but seems to be the standard for most counties. You will receive a large check during those times, but very little money the rest of the year. Basically you won't receive any funding unless you receive a grant, etc. Because of this the board needs to budget some money to carry the library through those times when it isn't receiving property tax revenue. This is what reserves do. Reserves are basically cash balances that help you pay the bills even when you aren't receiving revenue. Please be aware of carefully maintaining your reserve; if you spend a dollar of reserve money, it will take a dollar and a half to replace that one dollar of reserve.

Montana Code Annotated (MCA) 7-6-4034 says that counties can have no more than 1/3 of the total amount appropriated in reserve. For example if your budget to run the library is $100,000 you can only have up to $33,000 in reserve. This means your total budget would be no more than $133,000. The board should not have too much money in reserves. Taxpayers expect libraries to be responsible stewards. They also expect boards to spend money on the library not hoard it.

The Board members will also need to adopt a resolution for the first official budget of the library district. This resolution will include the number of mills the board is asking the county to levy. It should be sent (along with the budget) to the county commissioners. Board members should use the city or county's process when creating and adopting budgets as a guide for their own process. See the sample budget resolution (http://msl.mt.gov/For_Librarians/Online_Publications/Library_Districts_A_Guide_To_The_First_Year/Appendices/5.pdf) for more information.

Election of board members

It's important to remember that after the initial appointment board members are elected to the library board. It would be good to contact the election administrator of the county to find out about deadlines, the process, and to ask them to modify the county's "Candidate for Petition for Nomination" to reflect the new library district. It is important to develop a good relationship with the election administrator as they can help you with the election process. Be prepared to educate the election administrator about the new library district. You may have to work with the commissioners and the administrator to keep things moving along. This may be a new area for them so be patient with them. Eventually the election administrator will understand the district and process.

The election administrator for the county has the following duties:

- Add the new library district to the list of special districts with elected officials
- Assist the library board and interested participants with the process
- Review the petitions
- Prepare the ballots for mail elections
- Keep a list of board members and their terms

Board member elections are held in conjunction with the annual school election. People interested in running for a position on the board need to file with the office of the election administrator at least 75 days before the school election. The election process often starts in January and February. Candidates need to be nominated by petition and have at least 5 electors of the district sign this petition. Interested candidates will need to visit the election administrator to pick up the paperwork and then gather at least 5 signatures of registered voters living in their area. It is a good idea to acquire more than 5 signatures in case any of the signatures are invalid. Candidates are allowed to sign their own petition. The candidate may have some additional paperwork to complete. Candidates should plan on completing and signing their paperwork in front of a notary public. See the Ravalli County Candidate

Petition for Nomination (http://msl.mt.gov/For_Librarians/Online_Publications/Library_Districts_A_Guide_To_The_First_Year/Appendices/6.pdf) to see what this form looks like.

If the number of candidates is equal to or less than the number of open positions then the election administrator may cancel the election. The county commissioners will then declare the candidates elected by acclamation. If there are not enough candidates for the open positions the county commissioners can appoint someone to fill that position. It's important for board members to remember this. The board may wish to recruit good candidates for the library board. If an election needs to be held the board should be prepared to pay at least part of the election costs. The board may have to split the costs with the school board or other special district. If the election is by a mail-in ballot or the library district is the only organization with an election the board may have to pay for the full costs of the election. Consider setting aside money each month to pay for election costs. Contact the election administrator to get an estimate as to how much a full election would cost. Get this number early on in the process so that the board can add this into their budget.

Board members draw lots after the first election to see which members will serve 2 year terms and which members will serve 4 year terms. This is to create a staggered system where the board isn't completely changing every 5 years. If the number of candidates exceeds the amount of offices open the county commissioners will need to include a vote for public library district members on the school election ballot. The election administrator should be able to help you with this process. Obviously interested candidates will need to campaign for the vote if there is an actual election. After the election results are announced the county commissioners will probably create a certificate of election declaring the winners. Elected trustees must then go through the oath process which can be administered by local officials. Your election administrator will be able to help you with this process.

Checklist

- [ ] Elect officers Adopt an action plan
- [ ] Review plan frequently to determine progress
- [ ] Volunteer to help where appropriate
- [ ] Adopt bylaws for the board
- [ ] Support and encourage library staff
- [ ] Find or hire legal counsel
- [ ] Adopt policies
- [ ] Begin work on a long range plan
- [ ] Adopt a transition budget and when time an official budget
- [ ] Pass any necessary resolutions
- [ ] At least 75 days before annual school elections file with the office of the election administrator for the library board election

Chapter 9

Public relations and library services

The primary reason that you created a district may have been to improve services and yet as you can see it's close to the end of the handbook. Unfortunately there are so many administrative duties that must be done that public services tend to come later in the transition process. It doesn't mean that you can't talk about your new services or even make plans for them. You may even be able to implement some of them during the transition, but you will find that the set up for a district takes so much energy, time, and effort that some things have to be set aside until you have worked through the administrative process.

Keep the public informed

The public doesn't usually see all of the efforts that are going on behind the scenes so you will need to practice good public relations and keep them informed. Be prepared to write press releases, create publications, talk to local service organizations, and find creative ways to inform the public about what is happening. Don't be afraid to tell them about all of the administrative things you are doing to get the district up and running. Most people don't find setting up accounting structures, etc. really interesting but keeping them informed lets them know that you ARE doing something.

Design a new logo and look

If possible and appropriate the new district board may wish to hire someone to design a new logo and look for the library. With a new name and hopefully new services a new logo can be a breath of fresh air. It's a visual sign that the library is transforming into something else. It's also a fun project to work on while going through the transition phase. This new logo should communicate what the board, director, and staff want in the new district. Hiring a professional to do this is helpful as they will ask questions that elicit information about what the public, board, director, and staff want to see in a new library. Unveiling the logo can be a great way to launch the new library district. The library board, director, and staff may then want to find ways to incorporate the logo's look, color, and feel throughout the library.

Plan for new services

This was mentioned in the board chapter, but we'll say it here as well. If any promises for new services were made during the district campaign, begin planning for them now. Again this is something that is fun to do and inspiring - a nice change from the sometimes drier administrative tasks. Staff, the director, and board should begin talking about what promises were made, how to implement those promises, and when.

Checklist

- ☐ Keep the public informed through press release, other media outlets, and publications. Be creative.
- ☐ Design a new logo and/or brand for the district
- ☐ Plan for new services and where possible implement them

Chapter 10

Reporting Requirements

There is a lot of paperwork when you are a district. Eventually the amount will go down, but there are certain things that need to be done each year. We've highlighted the biggies, but depending upon your situation and what you decide in the transition phase there may be more or less reporting for the district.

IRS Reporting

Employers are required to file various reports at the end of the year. Much of this has to do with the fact that you have employees. Talking to the city or county person in charge of payroll might be helpful. S/he has probably been through this process and can give you some tips and pointers. In general you have probably been filing Form 941 for the IRS. This is a quarterly form where you report the number of employees, their wages, and their withholding amounts for federal income tax, Medicare, and Social Security. However if the IRS has notified you in writing to use Form 944 you will do this at the end of the year. The IRS may do this if you are considered a small employer.

You also have to create a W-2 and W-3 form (http://www.socialsecurity.gov/employer/) for each employee. The W-2 form is the form that employees use to file their federal taxes. The W-3 form is an internal form that is used to transmit the information from the W-2 form to the Social Security Administration. These forms are completed through the Social Security Administration's website.

Department of Administration Reporting

Hopefully one of the first things you did was file your paperwork with the Department of Administration. If you did this reporting to them will be much easier because you will have made contact with a staff member who can help you with the process. If you are handling the accounting internally or have hired a local firm you will need to make sure the annual year-end report is filed with the Department of Administration.

The first year will be challenging - luckily Department of Administration staff are pretty friendly and will do their best to help you through the process. To see what this report looks like when completed please look at "Annual Financial Reports Special Purpose Districts" (http://doa.mt.gov/lgsb/Forms/AccountingSystemsProgram/4_AnnualFinancialReports_SpecialPurposeDistricts/default.mcpx) from the Department of Administration's website. It's much easier to file this report if your accounting software is sophisticated enough to run the reports you need to enter your data. That's why it's important to spend a little extra to purchase software that is designed for governmental accounting.

Auditing the Library's Accountings

If the library has more than $500,000 in revenues the Department of Administration wants an auditor to check the library's accounting and reporting to ensure that everything is being handled correctly. Follow the links to the "Audit Review Section" on the Local Government Bureau's website (http://doa.mt.gov/lgsb/default.mcpx) for a list of recommended auditors (you need to use one of the recommended auditors) as well as a checklist and other forms that may assist you in this process. If you have

an interlocal agreement with the city or county where the local government body is handling your accounting then you will be expected to provide some of the materials they need for their annual audit.

Depreciate Assets

At the end of the year you will need to depreciate the library's assets. Hopefully the city or county will send you a spreadsheet or report that shows what has already been done. Talk to the city/county clerk and recorder about the process and how it works. S/he can give you some guidance on how to report this information. If you are lucky you will receive a spreadsheet with a built in formula that automatically calculates the amount of depreciation. Once you have this information the final number will appear on your year-end financial reports like the one you are sending to the Department of Administration. See the Sample Library Depreciation Form (http://msl.mt.gov/For_Librarians/Online_Publications/Library_Districts_A_Guide_To_The_First_Year/Appendices/7.pdf) for more information.

Montana Department of Revenue Reporting

The Montana Department of Revenue will also need you to file an annual report that gives them information about how many employees you have, the wages earned, and the withholding amounts. You can learn more about what is required of you by visiting http://revenue.mt.gov/forbusinesses/Wage_Withholding_Tax/default.mcpx.

Montana Department of Labor and Industry Reporting

You will need to file quarterly reports for Unemployment Insurance. You can do this online. Information about these reports can be found at http://uid.dli.mt.gov/TAX/handbook/section8electronicfilingandpayments.asp (http://uid.dli.mt.gov/TAX/handbook/section8electronicfilingandpayments.asp)

Worker's compensation is more complicated. Most likely you will be working with an insurance company and will only have reports to file if you have a work accident where worker's compensation needs to be paid. To learn more contact the Department of Labor and Industry's Employment Relations Division at (406) 444-6543.

Montana Public Employees Retirement Administration

You will be reporting to MPERA if you offer retirement benefits through the Public Employee Retirement System (PERS). You will be reporting to them frequently because they have reporting requirements each time you complete payroll. You also need to report to them any time you have a new hire, retiree, or an employee who has changed their status - either by resigning, moving to part-time, or something else. Please review the MPERA Employer Reporting Handbook (http://mpera.mt.gov/EmplrHandbooks.shtml) for guidance.

Create an annual report for the library

Create at least a simple annual report for the library district that gives the public and local government officials information about usage of the library, highlights any accomplishments of the library, and discusses the impact that you have made in the community. This report can be very useful in terms of public relations and is another way to keep people informed about what is happening with the new district.

Montana State Library Reporting

During the fall and early winter the State Library will ask you to submit your statistics for the fiscal year that ended in June. There are a lot of statistics covering things like library usage, revenue, expenditures, and even technology in the library. This information is then sent to the Institute of Museum and Library Services (IMLS) which is a federal agency that oversees libraries. They send money to each state in the United States and in order to make a case for continuing to receive the funding IMLS requests that each state collect these statistics from public libraries. This information is also used to educate the public and government officials about libraries as well as to develop policy for libraries.

To learn more about this report please visit http://msl.mt.gov/For_Librarians/For_Public_Librarians/Statistics/default.asp and/or contact Montana State Library staff for assistance.

Checklist

- ☐ Calculate depreciation amounts for library equipment and property
- ☐ Complete Department of Administration report
- ☐ Complete paperwork for the IRS
- ☐ Complete paperwork for the Montana Department of Revenue
- ☐ Complete paperwork for unemployment insurance
- ☐ Complete paperwork for worker's compensation (if applicable)
- ☐ Complete paperwork for MPERA
- ☐ Complete annual report for the library that can be presented to county and/or community
- ☐ Complete Montana State Library annual report
- ☐ If needed complete audit using one of the auditors recommended by the Department of Administration's Local Government Services Bureau

Chapter 11

Conclusion

As you can see there is a lot of work that comes with the transition to an independent library district. It can be very challenging, but there is a sense of satisfaction in building a new district. One of the joys we mentioned is the sense of empowerment that comes with creating this district. You will learn many new things as you go through this first year and a half.

There are probably other things that need to be done as you transition to the district. It doesn't happen overnight, but as the second year anniversary approaches you will hopefully find yourself working more and more on new and improved library services. Many of the reports and duties that were mentioned in this report will become easier and more familiar to you. As you work through each of these you will become better and better at the accounting, the payroll, the paperwork, and all of the other responsibilities that come with being a new district.

Be sure to celebrate your accomplishments. Congratulations on all of your hard work and effort. Please contact Montana State Library staff if you need any assistance as you work through this process.

- Sarah McHugh, samchugh@mt.gov, 800-538-5087
- Tracy Cook, tcook@mtlib.org, 866-843-6524
- Lauren McMullen, lmcmullen@mtlib.org, 866-730-1681
- Suzanne Reymer, sreymer@mtlib.org, 888-826-0837

Appendices

- North Lake County Public Library District Action Plan
- Certificate of Election
- North Lake County MOU
- Mill Levy Letter
- Budget Resolution
- Ravalli County Election Form
- Sample Library Depreciation

NORTH LAKE COUNTY PUBLIC LIBRARY DISTRICT
ACTION PLAN

STATEMENT OF PURPOSE

The purpose of this Action Plan is to outline the process necessary to facilitate the transition of Polson City Library (PCL) into the North Lake County Public Library District (NLCPLD). The goal is to create and streamline a secure and functional administrative infrastructure so that business can be conducted in a professional and legal manner. The following points are understood:

- The NLCPLD was approved by the voters on July 27, 2010; the election was certified by the Lake County Commissioners on August 2, 2010
- The current PCL Library Board was appointed by the Lake County Commissioners as the first NLCPLD Board of Trustees on August 2, 2010
- The accounting and reporting period is retroactive to July 1, 2010
- Primary goals will be identified with stated objectives and associated steps to confirm details
- The projected end date for the transition period is December 31, 2010
- Responsibility and tasks will be assigned to key people to work on and complete by specified dates
- Montana State Library will be consulted throughout the transition process

GOAL 1 – LEGAL ISSUES

OBJECTIVE	STEPS	PERTINENT POINTS	ASSIGN	DEADLINE	FEEDBACK
Secure legal counsel for NLCPLD	Approach Lake County Attorney's Office	MSL Staff: The main function of a county attorney's office is county business not library district business / The county is merely the conduit for disbursing the revenue			
	Private Attorney	Board Member: Approached local attorney who will initially work pro bono			
Liability		Who is responsible for building & personnel during transition? City OR District?			
Errors & Omissions Insurance for BOT	Contact local insurance agency	Board Member: Included in insurance application pending with local insurance company			
Tax ID #		Do we need a new Tax ID # OR just name change? Paperwork & application process?			
Existing contractual agreements	Notify parties regarding change in governance	*Note: Montana State Library, Montana Shared Catalog, OCLC, InfoTrac, HeritageQuest, MontanaLibrary2Go, HVAC, Photocopier, Foundation, Greater Community Foundation, etc.			
	Sign new agreements if necessary				

Certificate of Election

COUNTY OF JEFFERSON

STATE OF MONTANA

GREETINGS:

We, Board of County Commissioners, Jefferson County, do hereby certify that at a Primary Election held in said county, on t of June, 2010, the electors of said proposed district voted to form the North Jefferson County Public Library District. The vot and against, as certified by the Board of County Canvassers, are enumerated as follows:

978 VOTES FOR the Creation of the North Jefferson County Public Library District

503 VOTES AGAINST the Creation of the North Jefferson County Public Library District

IN WITNESS WHEREOF, I have hereunto set my hand and official seal this 22 day of June, 2010.

[SEAL]

County Commissioner

County Commissioner

County Commissioner

INTERLOCAL AGREEMENT

City of Polson & North Lake County Public Library District

This agreement, dated the 17th day of December 2010, by and between the City of Polson (City), a municipality of the State of Montana, and the North Lake County Public Library District (District,) a political subdivision of the State of Montana;

WITNESSETH:

WHEREAS, the City of Polson maintained for many years a Polson City Library; and,

WHEREAS, as of July 1, 2010, the District came into existence at the will of the voters in Lake County High School District #23, including inter alia all the area encompassed within the corporate boundaries of the City of Polson; and,

WHEREAS, it is the intention of the parties hereto that from and after January 1, 2011, the District will provide library services to the residents of the City of Polson, among others, and that from and after said date the need for a Polson City Library serving the same area will cease to exists; and,

WHEREAS, the City and the District desire to set forth their agreement herein, for the purpose of ensuring a smooth and functioning transition of administration, assets, services, personnel, and liabilities in view of the aforesaid cessation of operations by Polson City Library and commencement of operations by the District.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein and in compliance with Sections 7-11-101, et seq., MCA the "Interlocal Cooperation Act", it is agreed as follows:

1. The parties agree that the effective date for the cessation of the Polson City Library shall be at midnight December 31, 2010, and the effective date for commencement of library services operation by the District shall likewise be January 1, 2011, unless these dates must be changed due to circumstances that may arise during the execution hereof.
2. The City shall take all necessary steps to dissolve the Polson City Library, effective the date stated in Paragraph 1 hereof, or as the same may be later amended.
3. Pursuant to state statute, the City has held certain funds in trust for the Polson City Library and disbursed the same from time to time at the direction of its Board of Trustees. The list of funds held by the City and attributable to the Polson City Library is attached hereto as Exhibit A. The City intends to transfer these funds to care, custody, and control of the District as of the effective date of the commencement of District library services operations. The District has declined to independently audit the above-referenced funds and will accept a certified letter from the Polson City Treasurer verifying the accuracy of the funds. Execution of this Agreement by the authorized representative of the District

September 5, 2012

County Clerk and Recorder
123 ABC Street
Somewhere in, MT 59000

Dear Clerk and Recorder:

We have been informed by the local office of the Montana Department of Revenue that the taxable value of one mill for the High School District, minus the total incremental value of all tax increment financing districts, is $40,524. This figure is located on line 4 of the 2012 Certified Taxable Valuation Information sheet we received.

The number of mills that will be needed to fund the Public Library District for fiscal year 2013 is 9.0 mills.

This letter represents official notification to you from the Board of Trustees for the Public Library District to include this on the upcoming tax notices.

Sincerely yours,

Jane Doe
Chairperson, Public Library District

SAMPLE

RESOLUTION NO. _____
ANNUAL BUDGET RESOLUTION

A RESOLUTION RELATING TO FINAL BUDGETS AND ANNUAL APPROPRIATIONS FOR THE FISCAL YEAR BEGINNING JULY 1, ____ AND ENDING JUNE 30,

WHEREAS, Montana Code Annotated (MCA) 7-6-4024 requires that the budget be approved and adopted by resolution by the later of the second Monday in August or within 45 calendar days of receiving certified taxable values from the Department of Revenue, and

WHEREAS, the notice of hearing on preliminary budget was published in accordance with Section 7-1-2121, MCA, as required by Section 7-6-4021, MCA, and

WHEREAS, the hearing on preliminary budget and budget increase from property taxes was held in accordance with Section 7-6-4024 MCA, and,

WHEREAS, the library board is given the authority to adopt and set the library's budget per MCA 22-1-707

NOW THEREFORE BE IT RESOLVED, that the attached budget is adopted by the _____ _____ Library District Board of Trustees;

That the library director is given authority to implement the budget;

That the library director is given authority to make transfers where necessary;

That by giving the director this authority the board is in no way giving up their own authority in regards to the budget;

And finally the _____ Library District will follow Generally Accepted Accounting Principles when recording revenues and expenditures.

SAMPLE

Ravalli County
Park and Library Districts
Candidate Petition for Nomination

PETITION TO BE FILED WITH COUNTY ELECTION ADMINISTRATOR

Petition to Qualify _____ for the
Name of Candidate

(select one) ☐ **Florence Park** ☐ **Lone Rock Park** ☐ **Ravalli Co. Park District #2**
☐ **Stevensville West Park** ☐ **Victor Park** ☐ **North Valley Library**

District election to be held in Ravalli County, Montana on **May 8, 2012,** as provided by law.

WARNING

A person who purposefully signs a name other than the person's own to this petition, who signs more than once for the same issue at one election or who signs when not a legally registered Montana voter is subject to a $500 fine, 6 months in jail, or both. Each person is required to sign the person's name and list the person's address or telephone number in substantially the same manner as on the person's voter registration card or the signature will not be counted. In place of a residence address, the signer may provide the signer's post-office address or the signer's home telephone number.

Signature (as registered)	Date Signed	Residence Address or Post-Office Address or Home Telephone Number	Print Last Name and Print First and Middle Initials	Office Use Only
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				

NOTE: You must obtain at least FIVE (5) signatures. Persons signing this petition must be registered in the district in which the candidate resides. Also, be sure to complete and sign the Affidavit of Signature Gatherer to turn in with this petition. Thank you!

This petition must be returned to the Ravalli County Election Administrator no later than **February 23, 2012.**

CAPITAL ASSET DEPRECIATION SCHEDULE

DEPRECIATION METHOD - STRAIGHT LINE
FULL YEAR CONVERSION

COUNTY PUBLIC LIBRARY DISTRICT
CAPITAL ASSET DEPRECIATION SCHEDU
June 30, 2011

LIBRARY FY2010-2011

ACCOUNT	ACQUIS-ITION DATE	DESCRIPTION	FUNCT-ION	YEARS OF DEP	USEFUL LIFE	COST
18600 MACHINERY & EQUIPMENT						
	6/30/1997	Microfilm Reader & Printer	46	N/A	10	5,536
	6/30/2001	Library Automation Equipment*	46	N/A	10	11,027
	7/1/2008	2000 Dodge Van	46	9	5	7,840
	10/1/2009	Library Compressor/Cooling	46	2	10	5,718
	6/30/2011	Computers & Laptop Lab	46	1	5	18,000
	1/1/2011	Interior Library Doors	46	1	10	6,685
!	4/1/2011	Meeting Room Carpet	46	1	10	5,270
18600 TOTAL LIBRARY MACH & EQ						**60,076**
18200 BUILDINGS						
	6/30/1987	Library Building	46	24	50	450,324
18200 TOTAL LIBRARY BUILDINGS						**450,324**

18600	6/30/2011	Computers & Laptop Lab
	1/1/2011	Interior Library Doors
	4/1/2011	Meeting Room Carpet