



Budgeting Basics

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Principal

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Budget Overview

- Budget is legally adopted by the governing body of the Library
- This appropriation is the legal authority to spend money
- Required by Public Act 621 of 1978
- A communications tool
 - Internal – communicate priorities, plans, and expectations
 - External – receive input through legislative process, transparency
- A management tool
 - Used to monitor progress and control spending
 - Should be amended as needed throughout the year



Budget Requirements

- Uniform Budgeting Manual for Local Units of Government in Michigan
- Funds of the Library
 - General Fund – Required
 - Special Revenue Funds – Required
 - Capital Project and Debt Service Funds – Not required but recommended
- Need to hold a public hearing
- Prepare a budget document
- Appropriations not to exceed existing fund balance plus estimated revenues
- Amend the budget during the year as needed



First Steps

- Review/Update Strategic Plan
- Determine Goals and Objectives
- Estimate revenue needs and submit tax rate request
 - Form L-4029 due by September 30 of each year
- Update position/personnel schedule
 - Add any new positions or eliminate as needed. Indicate vacant positions.
- Prepare/Update capital budget
 - Long-term plan for capital spending
 - Should be prioritized
 - Indicate source of funding
 - Estimate costs and preliminary timeline



Budget Timeline (Example)

- 6 months in advance
 - Library director or designee requests budget from management team
- 5 months in advance
 - Budget requests compiled into initial budget
- 4 months in advance
 - Proposed budget submitted to governing body for review
- 3 months in advance
 - Changes from governing body
- 2 months in advance
 - Public hearing and final changes
- Budget must be adopted before fiscal year starts



Budget Document

- Include with Board minutes
 - Public hearing
 - Final adoption
- Revenues by source
- Expenditures at the level of control
- Contains the following information
 - Prior year actuals, including ending fund balance
 - Prior year final amended budget
 - Proposed budget, including budgeted ending fund balance
 - Variances, if desired
 - Future year projections, if desired.



Level of Budgetary Control

- Referring to expenditures only
- The point at which the next dollar spent would be legally over budget
- Budget resolution needs to be at this level
- You will likely track the budget at the line-item level, but legal control is different
- Typical budget levels
 - Line-item – for smaller libraries
 - Activity/Department – most common for General Fund
 - Fund Level – recommended for other funds



Budgetary Basis

- Refers to the timing of revenue and expenditure recognition
- To “Accrue” a revenue or expenditure is to recognize it before cash is received or spent
- Cash Basis
- Modified Cash Basis
 - Some accruals but not all
- Modified Accrual Basis (GAAP)
 - Revenues recognized when they are measurable and available
 - Expenditures recognized as they are incurred and due
- Non-GAAP budgetary basis requires reconciliation in financials



Revenues

- Need to estimate revenues on budgetary basis
- Revenue budgets don't carry the same legal weight as expenditure budgets
- Should be amended as needed
- OK to appropriate part of the existing fund balance – essentially a revenue



Expenditures

- Budget resolution should be at the legal level of control
- Estimate of expenditures on budgetary basis
- Should be amended periodically during the year, including year-end accruals (if applicable)
- Likely tracked by line item for internal reporting purposes



Other Budgeting Topics

- Multi-year Budgeting
 - Two-year budgets are gaining popularity
- Forecasting
 - Typically five-year projections
 - Shows expectations and trends
 - Similar to budget document, use spreadsheet and formulas
- Public Library Financial Management Guide – Library of Michigan
 - Updated in 2014
 - Budgeting Chapter 6
 - Short webinars available



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