

BUDGETING ESSENTIALS

MICHIGAN LIBRARY ASSOCIATION



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WHAT IS A BUDGET AND WHY DO I NEED ONE?

- Budget is adopted by the governing body of the Library
- This appropriation is the legal authority to spend money
- Required by PA 621 of 1978
- Track progress and amend throughout the year – a management tool
- Exceeding budget is a violation of State law
- A budget is a tool used to indicate future expectations and assess risk



BUDGET REQUIREMENTS

- PA 621 of 1978
- 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 (handout)
- Appropriations not to exceed existing fund balance plus estimated revenues
- Amend the budget during the year as needed



BUDGET TIMELINE

- 6 months in advance (July)
 - Library director or designee requests budget from management team
- 5 months in advance (August)
 - Budget requests compiled into initial budget
- 4 months in advance (September)
 - Proposed budget submitted to governing body for review
- 3 months in advance (October)
 - Changes from governing body
- 2 months in advance (November)
 - Public hearing and budget adoption
- The budget needs to be adopted before the new year starts



LEVEL OF BUDGETARY CONTROL

- 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 – for larger libraries
 - Fund level – recommended for other funds



BUDGETARY BASIS

- Refers to the timing of revenue and expenditure recognition
- Cash basis
- Modified cash basis
 - Some on accrual basis but not all
- Modified accrual basis (GAAP)
 - Revenues recognized when they are measurable and available
 - Expenditures recognized as they are incurred and due



REVENUES

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



EXPENDITURES

- Budget resolution should be at legal level of control
- Estimate of expenditures on budgetary basis
- Likely will be tracked by line item for internal reporting purposes



OTHER BUDGET 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
- Refer to Chapter 6 of Financial Management Guide
- http://www.michigan.gov/documents/libraryofmichigan/LM_2014_PublicLibraryFinancialManual_468907_7.pdf



QUESTIONS?

Thank you!



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