Budgeting and Financial Reporting For Libraries

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New Jersey State Library, Library Development Bureau
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You May Not Feel Like a Numbers Person

...But you are
The Continuous Financial Cycle

Planning

Evaluation

Monitoring

Special Projects
The Continuous Financial Cycle

Planning
Preparation of next year's budget

Evaluation

Monitoring

Special Projects
The Continuous Financial Cycle

- Planning: Preparation of next year's budget
- Monitoring: Financial reports
- Evaluation
- Special Projects
The Continuous Financial Cycle

- Planning
  - Preparation of next year's budget
- Evaluation
  - Annual audit
- Monitoring
  - Financial reports
- Special Projects
The Continuous Financial Cycle

Planning
- Preparation of next year's budget

Evaluation
- Annual audit

Monitoring
- Financial reports

Special Projects
As a New Director

- You may start your job at any point in this cycle

- Find out what “past practice” has been
  - Review prior year budgets and audit reports
  - Ask Treasurer and/or Bookkeeper to explain their process
  - Review actions/discussions in past Board minutes
  - Review Strategic and Capital Plans
  - Introduce yourself to your local CFO

- If it’s not broken – Don’t fix it right away
Who Holds The Money?

• Some municipalities pay the bills for their library
  • Towns must fund their municipal library at 1/3 mil +
  • Your Board (not you) should ask the town for an accounting of what has been spent each month
  • Your Board should approve all bills each month

• If your municipal library pays its own bills:
  • The town must make a payment to the library (quarterly or all of the 1/3 mil) by March 31
  • This applies even if they haven’t passed their budget
The Payment Process

• This can be very different if you pay your own invoices or if your municipality pays them

• Know how purchase orders are used

• Be aware of the turn around time and how that impacts your available funds vs. actual cash on hand
The Budgeting Process

PLANNING
Budget – A Simple Definition

Budget noun bud·get \\ˈbə-jət\\

• an amount of money available for spending that is based on a plan for how it will be spent

• a plan used to decide the amount of money that can be spent and how it will be spent

• an official statement from a government about how much it plans to spend during a particular period of time and how it will pay for the expenses
The Budgeting Timeline

- Libraries can have different fiscal years
  - Calendar Year (January – December)
  - Fiscal Year (Commonly July to June)

- There is no one right way

Make things easier on yourself! Follow past practice for your library during your first year to experience a full cycle.
The Budgeting Process

• Establish Financial Goals

• Gather Information

• Differentiate between Needs and Wants

• Determine Special Project Costs

• Develop a Plan

Seek input from
Staff
Trustees
Local Government
Establish Financial Goals

- Will salary increases be given?
- Do you want to increase materials spending?
- Do you want/need to reduce certain expenses?
- Should some funds be set aside for capital plans?

Remember:
- Be Realistic!
- Read Statistics!

Per Capita State Aid Statistical Reports are available at the New Jersey State Library website
Gathering Information

ANTICIPATED INCOME

• How much income do you expect to receive?
  • If you are a municipal library, the 1/3 mill fund amount to be generated by the Library Tax is announced in early October
  • Fines and fees
  • Interest from savings accounts/CDs
  • Gifts
  • Other?

NJ Legislation permits municipal libraries to seek an increase in Library Tax funding by voter approved referendum.
Gathering Information

FIXED AND KNOWN EXPENSES (NEEDS)

- Salary, payroll taxes, pension costs, health benefits
- Service contracts (HVAC, cleaning, audit, alarm & fire monitoring, etc)
- Utilities
- Telecom / Internet connectivity
- Consortium / shared service expenses
- Other?
Estimating Costs (Part 1)

- Review financial reports and audits from the previous year or two
  - Has spending increased?
  - Decreased?
  - Stayed the same?

- If you are in a multi-year contract (e.g. HVAC maintenance)
  - Find out what the yearly cost is
  - Determine the length of the contract
Estimating Costs (Part 2)

• Ask vendors for estimates. Negotiate - *Ask for discounts*!
  
• Keep your ears open
  • Are gas/energy costs expected to rise?
  • Are increases in pension payments anticipated?
  • What are the expected benefit costs?
Gathering Information

VARIABLE COSTS (WANTS)

- Library materials
- Programming
- Technology updates
- Library & office supplies
- Other?
Gathering Information

SPECIAL PROJECT COSTS (WISHES)

- Special projects/needs, e.g.:
  - Install self check-out stations
  - Draft a computer replacement plan
  - Start a special collection/service

- You may not be able to afford to do everything now, but it’s good to have a wish list

- Grants or unanticipated gifts may become available; you want to be ready to take advantage of them
Your Proposed Budget

• Group your budget lines into the same categories as you report them in the annual Per Capita State Aid report.

• Compare budget lines with amounts budgeted and spent in prior years

• Your anticipated income should balance with your anticipated expenses.

• If your anticipated expenses are higher than your anticipated income, you need to reduce your expenses.
## 2023 Budgeted | 2023 Actual | 2024 Budgeted
--- | --- | ---
### INCOME
- Municipal Appropriation (1/3 mill) $674,145 | $674,145 | $690,254
- Per Capita State Aid $9,355 | $9,355 | $9,355
- Grants and Gifts $3,512 | $5,055 | $3,500
**TOTAL** | **$687,012** | **$688,555** | **$703,109**

### EXPENDITURES
#### PERSONNEL
- Salaries/Wages – Full Time $350,000 | $349,694 | $357,000
- Salaries/Wages – Part Time $100,000 | $97,121 | $100,000
- Fringe Benefits – Insurance $75,000 | $73,534 | $78,500
- Fringe Benefits – Pension $35,000 | $33,192 | $35,000
**SUBTOTAL** | **$560,000** | **$548,541** | **$570,500**

#### NON-PERSONNEL
- Library Materials - Books $30,012 | $35,986 | $37,000
- Library Materials - eContent $10,000 | $13,144 | $17,000
- Library Materials - Serials $1,000 | $885 | $609
- Library Materials – A/V $3,000 | $2,503 | $2,000
- Computer Costs $25,000 | $22,183 | $15,000
- Plant Operations - Utilities $55,000 | $57,204 | $58,000
- Plant Operations - Telecom $3,000 | $2,966 | $3,000
**SUBTOTAL** | **$127,000** | **$130,871** | **$122,800**
**TOTAL** | **$687,012** | **$688,412** | **$703,109**
Income > Expenses

- Consider yourself lucky!
- Review your wish list
- Create or add to a restricted capital fund for maintenance and improvements

Expenses > Income

- Adjust your variable costs
Presenting Your Budget

• Be prepared to present to you Board and governing body
  • Have your budget calculation worksheet available to refer to
  • Be prepared to explain how you came up with your numbers

• Ask for help from your treasurer and/or finance committee
  They can, and should, help you prepare!
The Budgeting Process

MONITORING
Useful Monthly Reports

- Budget Control Report
- Profit & Loss statement
- Bill List
# Budget Control Report

Are you on target or over budget?

<table>
<thead>
<tr>
<th>Ordinary Income/Expense Expense</th>
<th>Budget</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>5000 • Personnel Costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5101 • Salary</td>
<td>42,383.92</td>
<td>33,449.75</td>
</tr>
<tr>
<td>5111 • Payroll Taxes</td>
<td>3,263.53</td>
<td>2,676.00</td>
</tr>
<tr>
<td>5201 • Health Insurance Cost</td>
<td>7,600.89</td>
<td></td>
</tr>
<tr>
<td>5211 • Pension Cost - PERS</td>
<td>48,060.00</td>
<td>25,358.00</td>
</tr>
<tr>
<td><strong>Total 5000 • Personnel Costs</strong></td>
<td>101,308.34</td>
<td>61,483.75</td>
</tr>
</tbody>
</table>

| 6100 • Print Materials          |        |             |
| 6101 • Juvenile                 | 73.24   | 1,540.00    | 4.8%  |
| 6103 • Teen                     | 336.58  | 291.00      | 115.7%|
| 6105 • Adult Fiction            | 1,072.29| 1,250.00    | 85.8% |
| 6106 • Adult-Nonfiction         | 1,137.16| 1,416.00    | 80.3% |
| 6131 • Reference                | 0.00    | 0.00        | 0.0%  |
| 6132 • Continuations            | 0.00    | 250.00      | 0.0%  |
| 6133 • Subscriptions            | 7.58    |            |       |
| **Total 6100 • Print Materials**| 2,626.85 | 4,747.00    | 55.3% |

| 6200 • Audio Visual             |        |             |
| 6201 • A/V - Juvenile           | 261.72  | 500.00      | 52.3% |
| 6205 • A/V - Adult Audiobook    | 693.24  | 500.00      | 138.6%|
| 6206 • A/V - Adult DVD          | 300.47  | 291.00      | 103.3%|
| 6208 • A/V - Computer Games     | 356.67  | 275.00      | 129.7%|
| **Total 6200 • Audio Visual**   | 1,612.10| 1,566.00    | 102.9%|
Profit and Loss Report

What did you bring in this month/year? What did you expend?

<table>
<thead>
<tr>
<th>Ordinary Income/Expense</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
</tr>
<tr>
<td>4000 · Interest Income</td>
<td>460.34</td>
</tr>
<tr>
<td>Operating Ck</td>
<td></td>
</tr>
<tr>
<td>4001 · Int Inc Op HC Ck</td>
<td></td>
</tr>
<tr>
<td>(interest on HC 087405625)</td>
<td>460.34</td>
</tr>
<tr>
<td>Total 4000 · Interest Income Operating Ck</td>
<td></td>
</tr>
<tr>
<td>4050 · Interest Income Oper Investmt (Master account)</td>
<td>4,082.14</td>
</tr>
<tr>
<td>4051 · Int Inc Oper HC M/M (interest on HC 7400701283)</td>
<td>1,995.49</td>
</tr>
<tr>
<td>4052 · Int Inc Oper Investor CD (Interest INVEStOR CD 38010192)</td>
<td>845.03</td>
</tr>
<tr>
<td>4053 · Int Inc Oper Millington CD (Int Millington CD 470143347)</td>
<td>1,241.62</td>
</tr>
<tr>
<td>Total 4050 · Interest Income Oper Investmt (Master account)</td>
<td>4,082.14</td>
</tr>
<tr>
<td>4200 · LHT Contributions</td>
<td></td>
</tr>
<tr>
<td>4201 · LHT Contr - Cash</td>
<td>168,000.00</td>
</tr>
<tr>
<td>4202 · LHT Contr - Salary</td>
<td>406,331.20</td>
</tr>
<tr>
<td>Total 4200 · LHT Contributions</td>
<td>574,331.20</td>
</tr>
<tr>
<td>4301 · State Aid</td>
<td>4,165.00</td>
</tr>
<tr>
<td>4500 · Cash Income</td>
<td></td>
</tr>
<tr>
<td>4501 · Fines</td>
<td>12,668.66</td>
</tr>
<tr>
<td>4502 · Copier</td>
<td>7,255.72</td>
</tr>
<tr>
<td>4505 · Lost Books</td>
<td>1,064.47</td>
</tr>
<tr>
<td>4506 · Gifts - Programming (Gifts specific for programs)</td>
<td>1,275.00</td>
</tr>
<tr>
<td>4507 · Gifts-Unrestricted (Gifts without restrictions)</td>
<td>2,722.08</td>
</tr>
<tr>
<td>4508 · Gifts-Children</td>
<td>260.00</td>
</tr>
<tr>
<td>4509 · Gifts-Adult</td>
<td>275.00</td>
</tr>
<tr>
<td>4504 · Rental</td>
<td>281.15</td>
</tr>
<tr>
<td>4503 · Sales</td>
<td>2,770.09</td>
</tr>
<tr>
<td>Total 4500 · Cash Income</td>
<td>28,572.17</td>
</tr>
</tbody>
</table>
# Bill List

**What bills need to be paid this month?**

<table>
<thead>
<tr>
<th>Type</th>
<th>Num</th>
<th>Date</th>
<th>Name</th>
<th>Account</th>
<th>Paid Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill Pmt - Check</td>
<td>8044</td>
<td>12/08/2010</td>
<td>B &amp; T L3517593 JCD/DVD</td>
<td>1001 - Op HC Ck</td>
<td></td>
</tr>
<tr>
<td>Bill</td>
<td>3016675736</td>
<td>11/01/2010</td>
<td></td>
<td>2203 - Grants Current Yr - Purchases</td>
<td>-11.69</td>
</tr>
<tr>
<td>Bill</td>
<td>3016711050</td>
<td>11/15/2010</td>
<td></td>
<td>2203 - Grants Current Yr - Purchases</td>
<td>-11.69</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-23.38</td>
</tr>
<tr>
<td>Bill Pmt - Check</td>
<td>8045</td>
<td>12/08/2010</td>
<td>B &amp; T L4142093 AF</td>
<td>1001 - Op HC Ck</td>
<td></td>
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<tr>
<td>Bill</td>
<td>3016707722</td>
<td>11/12/2010</td>
<td></td>
<td>6105 - Adult Fiction</td>
<td>-135.19</td>
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<tr>
<td>Bill</td>
<td>3016718772</td>
<td>11/17/2010</td>
<td></td>
<td>6105 - Adult Fiction</td>
<td>-145.68</td>
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<tr>
<td>Bill</td>
<td>3016726611</td>
<td>11/19/2010</td>
<td></td>
<td>6105 - Adult Fiction</td>
<td>-36.41</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-319.28</td>
</tr>
<tr>
<td>Bill Pmt - Check</td>
<td>8046</td>
<td>12/08/2010</td>
<td>B &amp; T L6926813 AIF</td>
<td>1001 - Op HC Ck</td>
<td></td>
</tr>
<tr>
<td>Bill</td>
<td>3016692156</td>
<td>11/08/2010</td>
<td></td>
<td>6106 - Adult-Nonfiction</td>
<td>-95.27</td>
</tr>
<tr>
<td>Bill</td>
<td>3016699352</td>
<td>11/09/2010</td>
<td></td>
<td>6106 - Adult-Nonfiction</td>
<td>-461.89</td>
</tr>
<tr>
<td>Bill</td>
<td>3016721778</td>
<td>11/18/2010</td>
<td></td>
<td>6106 - Adult-Nonfiction</td>
<td>-152.96</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-710.12</td>
</tr>
</tbody>
</table>
The Budgeting Process

EVALUATION
The Annual Audit

• All municipal libraries must be audited each year. There is no mandated time frame but it’s a good idea to get it done within the first 6 months of the new financial year.

• If you are paying for your audit, even if it is the same auditor as the town, you should request a proposal that includes the cost of the audit and what services will be included.

• You can negotiate with auditors just as with other vendors. Auditors charge wildly different amounts for the same basic product. Ask around – what are other libraries paying?
Preparation for the Audit

- Ask for help from your Treasurer and/or bookkeeper.

- There are certain things you know you’ll need each year, including:
  - Bank Statements
  - Bill Lists
  - Board Minutes
  - Checks Written
  - Deposit records
  - Payroll
Deciphering Your Audit Report

• Ask the auditor to sit down with you and your treasurer to review. Remember: you are their paying customer!

• If the auditor has any recommendations for change, ask questions.
  • How many other public libraries does your firm audit?
  • Of those, how many have this procedure in place?
The Budgeting Process

SPECIAL
PROJECTS
The Capital Budget

• Allows you to plan for big projects: roof, carpeting, HVAC, integrated library system

• Plan for multiple years and establish a schedule based on need

• Consider setting aside some operating funds towards future capital expenses if possible

• Reserve capital funds with a Board Resolution

• You may need to request capital funds from your town/county
The Budgeting Process

WRAP IT UP
The Continuous Financial Cycle

Planning → Evaluation → Monitoring → Planning

Special Projects
Additional Resources

Return of Excess Funds Law (NJSA 40:54-15)

- Passed in 2010, affects municipal libraries
- Beware of excess operating reserve funds
- For more info, contact the State Library
More Additional Resources

• The 1/3 mill municipal appropriation is posted each October

• NJ Library Laws can be found here:
  • https://www.njstatelib.org/services_for_libraries/resources/library_law/

  Part 6, purchasing, includes info on Pay to Play;
  Part 7 includes the Local Fiscal Affairs Law (audit info & more)
Even More Additional Resources

- Your town’s Chief Financial Officer can be a great resource – but not unless you ask for help.

- NJ laws governing municipal fiscal administration:
  *NJ Dept. of Community Affairs, Local Government Services*
  
  [https://www.nj.gov/dca/dlgs/](https://www.nj.gov/dca/dlgs/)
Benchmarks/Comparable Data

• IMLS Search and Compare Tool - Public Libraries – Public Libraries Survey Data
  • https://imls.gov/search-compare/

• New Jersey Public Library Data and Analyses
  • https://www.njstatelib.org/services_for_libraries/resources/statistics/
When In Doubt…

- Contact your auditor or accountant
- Contact the State Library for guidance
- Connect with other administrators
  - New Jersey Library Association – Administration and Management
  - LibraryLinkNJ – MentorNJ
  - American Library Association/Public Library Association
Questions/Comments

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Ongoing Projects:
JerseyClicks
Resource Sharing
Digital Content