# **BUDGET BOOT CAMP** PART II: BUDGET MANAGEMENT



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October 17, 2016



### A QUICK REVIEW OF PART I

#### **Budget Calendar**

12 month process

#### **Basic Terms**

PLAN, Appropriation, Encumbrance, Expenditure and Revenue

#### **3-Step Process**

- Step #1 = Estimate total revenue
- Step #2 = Estimate total appropriations
- Step #3 = Balance revenues and appropriations

#### The Board's Role

- Understand district operations
- Understand the budget process
- Establish clear and realistic goals
- Receive periodic updates
- Offer meaningful and constructive comments and questions
- Review and approve preliminary and final budgets



### **PART II : BUDGET MANAGEMENT**

#### **Ongoing Oversight**

- Daily purchasing review
- Monthly line item budget transfers
- Monthly list of bills
- Monthly S1701 reporting
- Monthly cash flow analysis
- Monthly discussions with budget managers

#### **Annual Reviews**

Annual audit



### **ONGOING OVERSIGHT**



# **PURCHASING REVIEW**

#### New Jersey Public Purchasing Law (N.J.S.A. 18A:18A-1 et seq.) Local Public School Contracts Law (N.J.A.C. 5:34-1 et seq.)

- Purchase Orders
- Quotations
- Bids
- Requests for proposals and competitive contracting

The business office performs a <u>DAILY</u> and <u>DETAILED</u> review of all purchasing requests

The business office prepares a Purchasing Manual for use by all budget managers and their staff



### LINE ITEM TRANSFERS

New Jersey Administrative Code (N.J.A.C. 6A:23A-2.11 & 13.3) Authorization to transfer and monthly reporting New Jersey Statutes (N.J.S.A. 18A:22-8.1)

- Fact #1: the budget is a <u>PLAN</u>
- Fact #2: plans change



### LIST OF BILLS

#### New Jersey Statutes (N.J.S.A. 18A:19-1 et seq.)

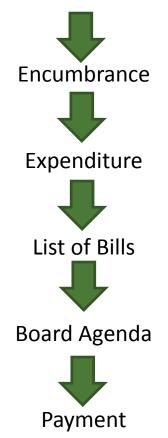
- Expenditure of Funds
- Audit and Payment of Claims



### LIST OF BILLS (CONT.)

#### **The Payment Cycle**

Appropriation





# **S1701 REPORTING**

#### New Jersey Public Law of 2004 (Chapter 73, July 1, 2004)

- Report of the Board Secretary
- Report of the Treasurer of School Monies
- Reconciliation of the Report of the Board Secretary and the Report of the Treasurer of School Monies



# **CASH FLOW ANALYSIS**

#### **Reasons to analyze cash flow:**

- Liquidity = ability to transfer non-cash assets to cash
- Solvency = ability to pay bills as they become due
- Flexibility = ability to react to opportunity and adversity



### DISCUSSIONS

#### **Goals for discussions with budget managers:**

- Determine status toward achieving original spending plan
- Discuss necessary revisions to original spending plan



### **ANNUAL REVIEWS**



# **ANNUAL AUDIT**

New Jersey Statutes (N.J.S.A. 18A:23-1 et seq.) Generally Accepted Auditing Standards Government Auditing Standards

U.S. Office of Management and Budget (Circular A-133)

- Performed by a licensed public school accountant
- Regulated by standard audit program
- Comprehensive Annual Financial Report (CAFR)



### **THE BOARD'S ROLE**

- Hire and rely on the finance experts:
  - Business office staff
  - Independent auditor
- Understand the various means used by central administration to manage the district budget
- Review and approve monthly financial reporting
- Review and approve the annual audit
- Remain informed on any budgetary issues through periodic updates from district administration



### QUESTIONS









