Fundamentals of Budgeting
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Learning Objectives

Explain how the strategic plan influences the budget process

Recall elements of budget policy

Recite types of budgets

Discuss the budget process
Strategic Plan – An Overview
Polling question

Does your government have a strategic plan?
Yes
No
Not sure
Strategic Planning

Systematic process that helps you identify why your organization exists, whom it serves, what benefits it provides, and the vision of how citizens can best be served
Strategic Plan

Strategic plan includes:

• Vision statement
• Mission statement
• Goals and objectives

Brings together government officials, managers, staff, and citizens
Vision Statement

What an organization is striving to be for whom they serve

- Focuses on the future
Mission Statement

What is being done to serve constituents

- Focuses on the present
Goals & Objectives

Goal

Broad statement of what the entity expects to achieve

Objective

Method to accomplish an established goal
Strategic Plan and the Budget

How does a strategic plan translate to the budget?

Budget: How an organization allocates its resources
Prioritization

Budget requests should support the goals and objectives in the strategic plan.

Budget requests are prioritized using strategic plan.
Polling Question

Have you read the budget policy for your government?

Yes

No
Budget Policy

Sets guidelines within which the budget process takes place
Authority and responsibility

Initial Approval

Transfers

Amendments
Budget Policy

Balanced

Revenue and Expenditure Categories

Reporting - Control
Types of Budgets
## Line Item Budget

<table>
<thead>
<tr>
<th>Account</th>
<th>FY 10 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$55,000</td>
</tr>
<tr>
<td>Overtime</td>
<td>$5,000</td>
</tr>
<tr>
<td>Part Time</td>
<td>$10,000</td>
</tr>
<tr>
<td>Supplies</td>
<td>$4,000</td>
</tr>
<tr>
<td>Travel</td>
<td>$1,000</td>
</tr>
<tr>
<td>Total</td>
<td>$75,000</td>
</tr>
</tbody>
</table>
# Activity Budget

## Finance Department

<table>
<thead>
<tr>
<th>Account</th>
<th>Accounting</th>
<th>Treasury</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$55,000</td>
<td>$57,200</td>
<td>$62,000</td>
</tr>
<tr>
<td>Overtime</td>
<td>$5,000</td>
<td>$5,500</td>
<td>$1,000</td>
</tr>
<tr>
<td>Part Time</td>
<td>$10,000</td>
<td>$12,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Supplies</td>
<td>$4,000</td>
<td>$4,500</td>
<td>$3,000</td>
</tr>
<tr>
<td>Travel</td>
<td>$1,000</td>
<td>$1,500</td>
<td>$2,000</td>
</tr>
<tr>
<td>Total</td>
<td>$75,000</td>
<td>$80,700</td>
<td>$70,000</td>
</tr>
</tbody>
</table>
## Program Budget

<table>
<thead>
<tr>
<th>Expenditure Classification</th>
<th>Superior Court Clerk</th>
<th>Program: Record Accessibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Previous Fiscal Year Actual</td>
<td>Current Fiscal Year Budget</td>
</tr>
<tr>
<td>Salaries</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Supplies</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
Performance Approach

- Performance Budget
  - Integrates productivity measures into the budget
  - Focus is the relationship between the inputs, or dollars, and the outputs or results
  - Effectiveness, efficiency and economy
  - Requires extensive data gathering
Zero-base Approach

• Zero-Base Budgeting
  • Breaks each budgetary entity into a series of budgetary options or decision packages
Capital Improvement Plan

- 3 -5 year plan to renew and replace capital assets
- Capital assets have useful life of at least one year
Which Approach is Best?

Probably a blend of two or more approaches molded into a budgeting approach which works best for a particular jurisdiction.
Polling question

Which type of budget does your government use?

Line item
Activity
Program
Zero-based
Performance
Combination of the above
The Budget Preparation Process
Budget Process

- Elements of a successful process
  - Strategic plan
  - Administrative plan
  - Budget calendar
Strategic Plan

- Goals and objectives in the strategic plan

Budget requests
Administrative Plan

• Administrative Plan
  • Describes the various steps involved
  • Describes the persons responsible
  • It is a policy statement
Budget Calendar

• WHO
  • is responsible for the task

• WHAT
  • is to be accomplished within the task

• WHEN
  • is the task to be completed
Budget Calendar

• Dates for distribution of all forms
• When revenues estimates will be prepared
• When requests will be compiled into one document
• When hearings will be held
• When the budget will be adopted
• When the fiscal year begins
# Budget Calendar

## Exhibit 3-2: Sample Budget Calendar

<table>
<thead>
<tr>
<th>When</th>
<th>What</th>
<th>Who</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1</td>
<td>Budget preparation forms are printed and ready for distribution.</td>
<td>Finance Officer or Budget Officer</td>
</tr>
<tr>
<td>September 15</td>
<td>Budget information for current year and for prior years is posted to forms for each department.</td>
<td>Finance Officer or Budget Officer</td>
</tr>
<tr>
<td>October 1</td>
<td>Budget request forms, instructions, and guidelines are distributed to the departments.</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>October 1</td>
<td>Revenue estimates are completed.</td>
<td>Finance Officer or Budget Officer</td>
</tr>
<tr>
<td>October 15</td>
<td>Budget request forms are returned.</td>
<td>Management Team or Department Directors</td>
</tr>
<tr>
<td>October 16–November 4</td>
<td>Analyze department requests and hold conferences.</td>
<td>Finance Officer, Budget Officer, Chief Executive</td>
</tr>
<tr>
<td>November 5–19</td>
<td>Assemble budget requests, compare with revenue estimates, and compile the budget document.</td>
<td>Finance Officer or Budget Officer</td>
</tr>
<tr>
<td>November 20</td>
<td>Proposed budget is submitted to governing body for review.</td>
<td>Finance Officer or Budget Officer</td>
</tr>
<tr>
<td>November 21</td>
<td>Governing body review is complete.</td>
<td>Governing Body</td>
</tr>
<tr>
<td>December 1</td>
<td>Advertise budget information and date of public hearing.</td>
<td>Chief Executive or Clerk</td>
</tr>
<tr>
<td>December 15</td>
<td>Conduct public hearing.</td>
<td>Finance Officer, Budget Officer, Chief Executive</td>
</tr>
<tr>
<td>December 16</td>
<td>Further review and revision. Final adoption.</td>
<td>Governing Body, Finance Officer or Budget Officer</td>
</tr>
<tr>
<td>December 21</td>
<td>Send copies to management team, governing body, and media.</td>
<td>Finance Officer or Budget Officer</td>
</tr>
<tr>
<td>January 1</td>
<td>Budget becomes effective.</td>
<td>Finance Officer or Budget Officer</td>
</tr>
</tbody>
</table>
Timing

How much time is necessary to prepare and adopt a budget?

Sufficient time so that adoption takes place before the start of the fiscal year!
Budget Information Packet

- Cover memo with detailed instructions
- Forms for performance measures and goals and objectives
- Forms for budget requests
- Spreadsheets
- Budget calendar
- Forms for forecasting revenues
- Capital improvement packages
Review of Requests

Review of departmental requests

- Support strategic plan
- Financing adequate
- Estimated revenue sufficient
- Reserves adequate
Capital Improvement Request

• Are the proposed capital outlays consistent with the government’s capital improvement plan priorities as identified in the strategic plan?

• All costs included

• Annual operating costs new capital assets
Revenues
Revenues

- Spending is limited to the revenue estimate
- Revenue estimation method differs depending on category
- Revenue estimates should be conservative but reasonable
Fund Balance

- Difference between assets and liabilities
- Net result of revenues and expenditures each year
- Could be used for balancing the budget
- Should only be used for one-time expenditures
Contingency

- Surpluses and Contingencies
  - Contingency – a line-item included in a local government’s budget to be used for unforeseen, emergency type expenditures
  - Rarely in excess of 5% of the appropriated budgets
Local Government Action on the Budget
Budget Message

- Budget Message or Letter of Transmittal
  - Usually the first part of the budget
  - Outlines the main aspects of the budget
  - Explains major accomplishments during the last year
  - Summarizes the policies reflected in the current budget
Budget and Supporting Data

• Other common elements in the budget
  • Organization chart
  • Statistical information
  • Economic trends
  • Millage rate comparisons
  • Detailed schedules
Budget Process and Law

• Budget advertisement, hearing, and adoption
  • Budget available to governing authority and citizens
  • Budget hearings and formal budget action
    • Advertised
Operating with the Budget
Budgetary Control

Two Segments

Budget Administration

Budget Execution
Budgetary Control

**Budget Administration**

Monitoring the actual performance of the local government against the budget

**Budget Execution**

Managing the resources in the budget in order to meet government’s objectives
Encumbrances

- Encumbrance Accounting/Reporting Control
  - Component of budget administration
  - Allows governments to commit budget appropriations
  - Initiated by a purchase order, contract or other commitment of funds
  - Amount of encumbrance is subtracted from available balance
Budget Reporting

- Financial/Budgetary Reporting System
  - Provides management with periodic reports on revenues, expenditures and encumbrances compared with the adopted budget
  - Should be timely, user friendly and easy to understand
Budget Reports

• Expenditures
  • Most current amended budget
  • Current month’s expenditures
  • Year-to-date expenditures
  • Outstanding encumbrances
  • Unencumbered balance
Disposition of Budget Balances

• Appropriations lapse at year end
  • Unspent appropriations lapse and do not carry forward to the subsequent year
• Unencumbered appropriations lapse at year end
  • Any amount encumbered is carried forward to the subsequent year’s budget
Financial Statement Audit

- Annual Financial Audit
  - Integral part of budget administration
  - Conducted by an outside CPA firm
Introductory Budget - Self-Study

100% Self-Study

12 Contact Hours, 14.4 CPE

$299 – special offer for out-of-state participants, price good through 9/29 ($40 savings)

• 30 days to complete course

• [https://www.georgiacenter.uga.edu/courses/governmental-training/introductory-budget](https://www.georgiacenter.uga.edu/courses/governmental-training/introductory-budget)
Other Online Self-Study Courses

Governmental Accounting Certificate Program

3 courses

- Introductory Governmental Accounting Part I
- Introductory Governmental Accounting Part II
- Intermediate Governmental Accounting

- 84 CPE
- Three months to complete each course

https://www.georgiacenter.uga.edu/courses/governmental-training
Other Governmental Training

https://www.georgiacenter.uga.edu/courses/governmental-training

Human Resources
Internal Control
Debt Administration
Budgeting
Purchasing
Revenue Administration
Treasury Management
Additional Continuing Education

https://www.georgiacenter.uga.edu/courses

Course Categories

Accounting, Tax and Finance
Customized Professional Training
Grant Writing and Nonprofits
Human Resources
Legal Studies
Photography
Reading and Writing
Technology Skills & Applications
Turfgrass Management and Gardening

Business and Leadership
Governmental Training
Healthcare and Pharmacy
Languages and Interpreting
Market Research
Project Management
Teaching, Training and Education
Test Prep
Next Free Webinar

Revenue Administration  [https://t.uga.edu/5FU](https://t.uga.edu/5FU)

February 16, 2022, 2:00 pm ET

Speaker – Suzette Arnold

- Recall basic considerations of how to pay for government services
- Recite elements of a revenue policy
- Discuss the importance of revenue administration