



# Fundamentals of Budgeting

Tracy Arner, M.Ed., CPA, CPFO

[tarner@uga.edu](mailto:tarner@uga.edu)



UNIVERSITY OF  
GEORGIA

Carl Vinson Institute of Government  
Center for Continuing Education & Hotel



# 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**

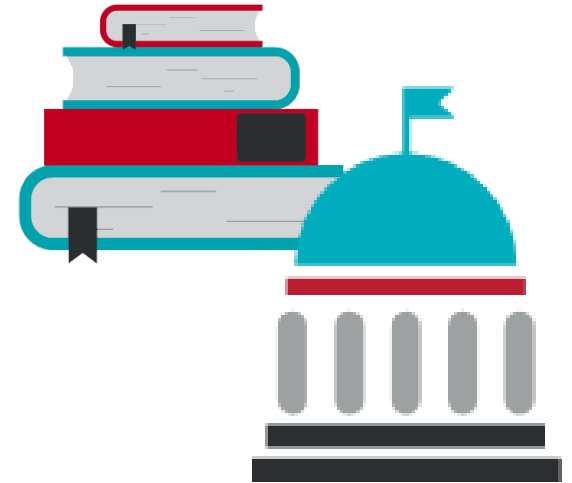


# Vision Statement

---

What an organization  
is striving to be for  
whom they serve

- ❑ Focuses on the  
**future**

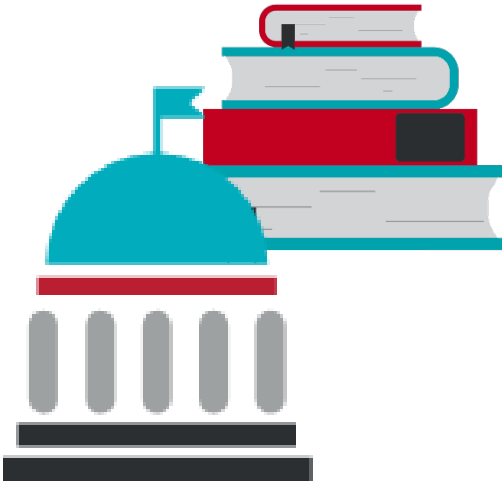


# Mission Statement

---

What is being done to  
serve constituents

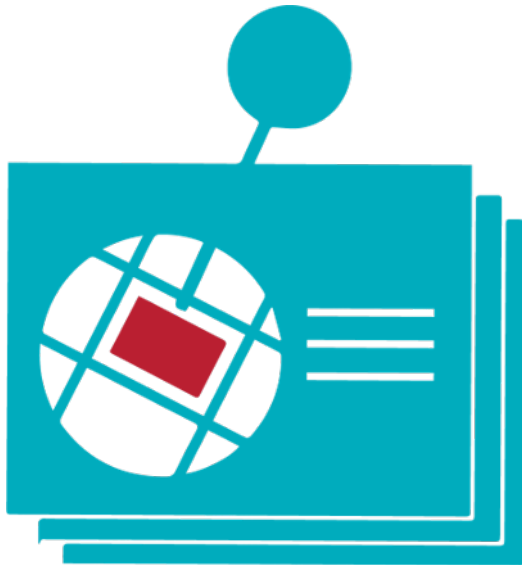
- ❑ Focuses on the  
**present**





# 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



# Budget Policy

---



# 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

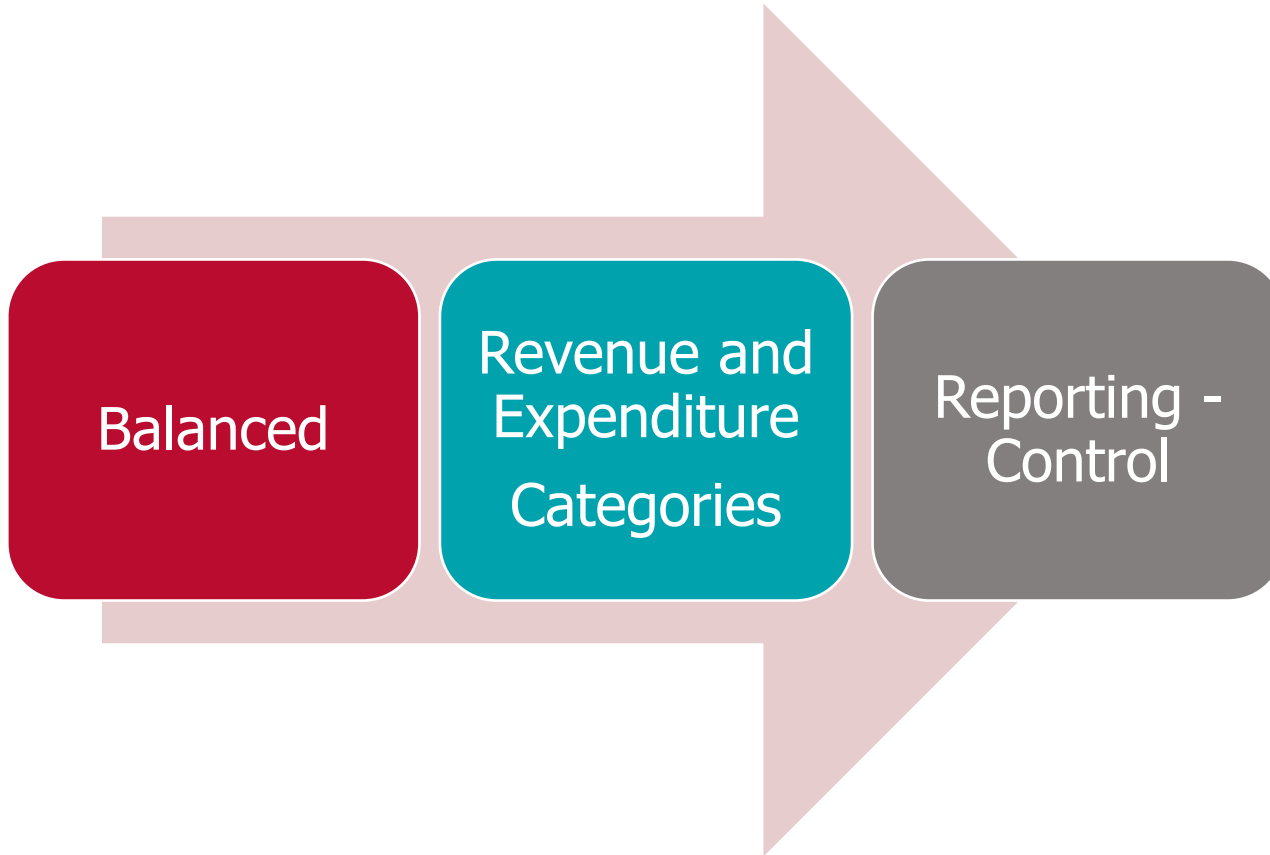
Transfers

Amendments



# Budget Policy

---





# Types of Budgets

---



# Line Item Budget

---

| Account   | FY 10 Budget |
|-----------|--------------|
| Salaries  | \$55,000     |
| Overtime  | \$5,000      |
| Part Time | \$10,000     |
| Supplies  | \$4,000      |
| Travel    | \$1,000      |
| Total     | \$75,000     |



# Activity Budget

| Finance Department |            |          |          |
|--------------------|------------|----------|----------|
| Account            | Accounting | Treasury | Budget   |
| Salaries           | \$55,000   | \$57,200 | \$62,000 |
| Overtime           | \$5,000    | \$5,500  | \$1,000  |
| Part Time          | \$10,000   | \$12,000 | \$2,000  |
| Supplies           | \$4,000    | \$4,500  | \$3,000  |
| Travel             | \$1,000    | \$1,500  | \$2,000  |
| Total              | \$75,000   | \$80,700 | \$70,000 |



# Program Budget

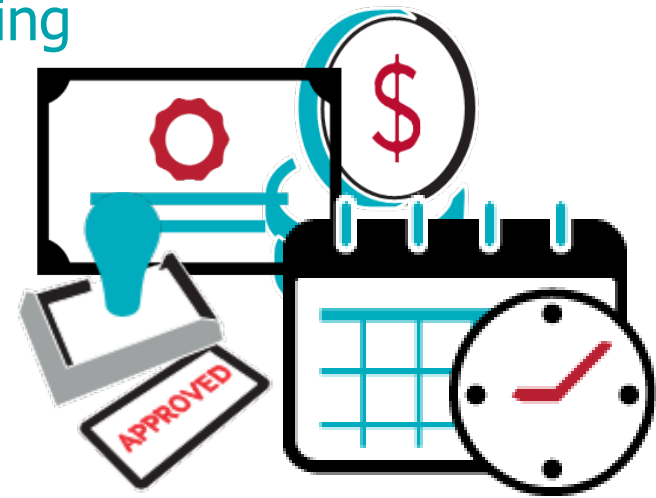
| Superior Court Clerk       |                             | Program: Record Accessibility |                          |  |
|----------------------------|-----------------------------|-------------------------------|--------------------------|--|
| Expenditure Classification | Previous Fiscal Year Actual | Current Fiscal Year Budget    | Next Fiscal Year Request |  |
| Salaries                   | \$ -                        | \$ -                          | \$ -                     |  |
| Supplies                   | \$ -                        | \$ -                          | \$ -                     |  |
| Contractual Services       | \$ -                        | \$ -                          | \$ -                     |  |
| Capital Outlay             | \$ -                        | \$ -                          | \$ -                     |  |
| <b>Total</b>               | \$ -                        | \$ -                          | \$ -                     |  |



# Performance Approach

---

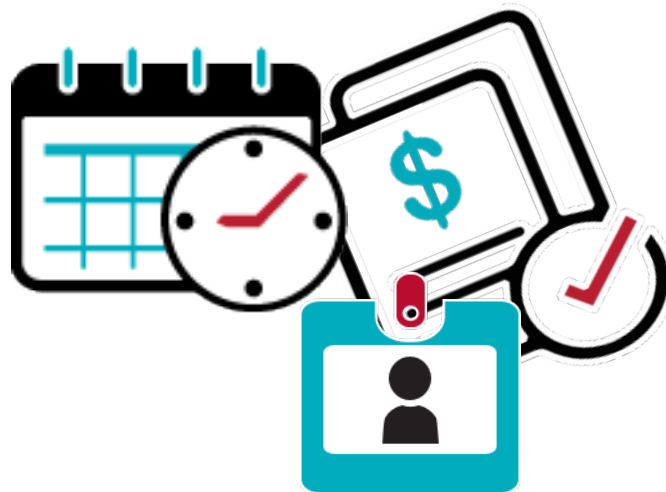
- Performance Budget
  - Integrates productivity measures into the budget
  - Focus is the relationship between the inputs, or dollars, and the outputs or results
  - Effectiveness, efficiency and economy
  - Requires extensive data gathering



# 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

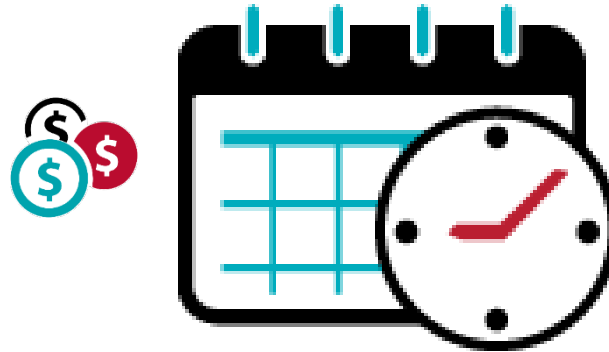
---



# Budget Process

---

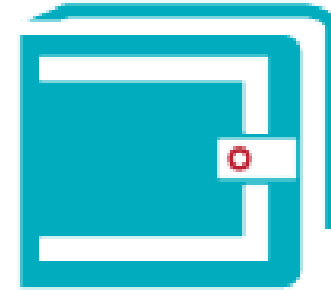
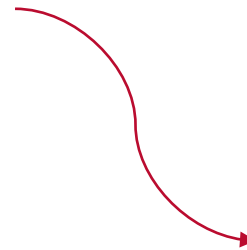
- Elements of a successful process
  - Strategic plan
  - Administrative plan
  - Budget calendar



# Strategic Plan

---

- Goals and objectives in the strategic plan



**Budget  
requests**

# Administrative Plan

---

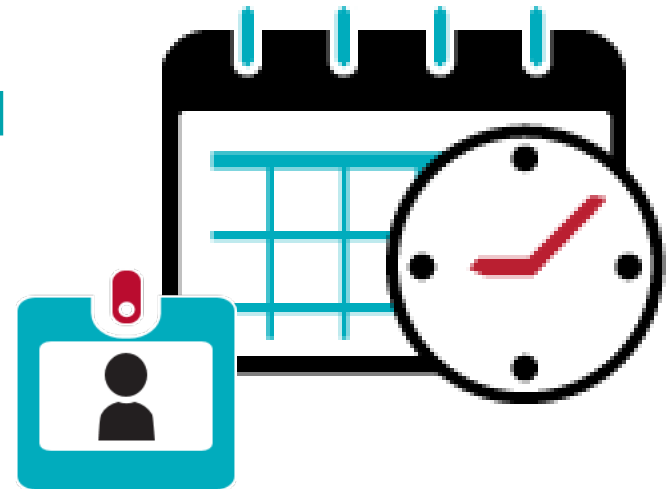
- Administrative Plan
  - Describes the various steps involved
  - Describes the persons responsible
  - It is a policy statement



# 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

Handout 8

Exhibit 3-2: Sample Budget Calendar

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



# 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!



# Departmental Requests

---



# Budget Information Packet

---

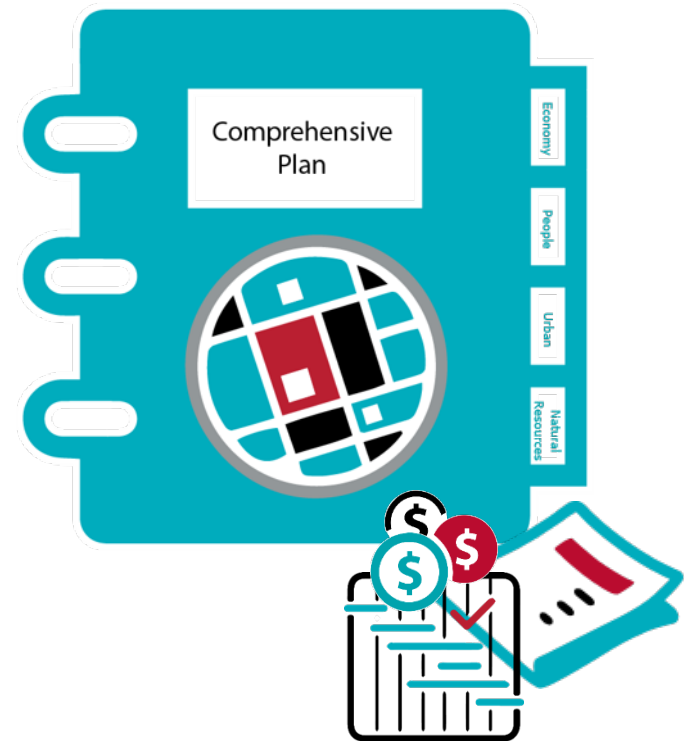
- Budget Information Packet
  - Cover memo with detailed instructions
  - Forms for performance measures and goals and objectives
  - Forms for budget requests
  - Spreadsheets
  - Budget calendar
  - Forms for forecasting revenues
  - Capital improvement packages



# Review of Requests

Review of departmental requests

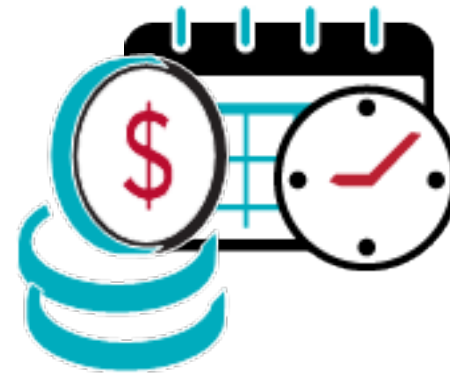
- Support strategic plan
- Financing adequate
- Estimated revenue sufficient
- Reserves adequate



# 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 use for one-time expenditures

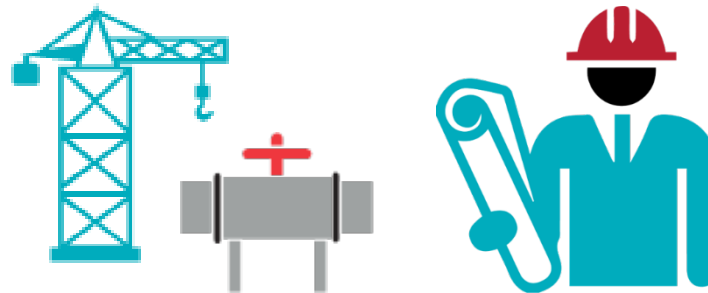




# Contingency

---

- 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



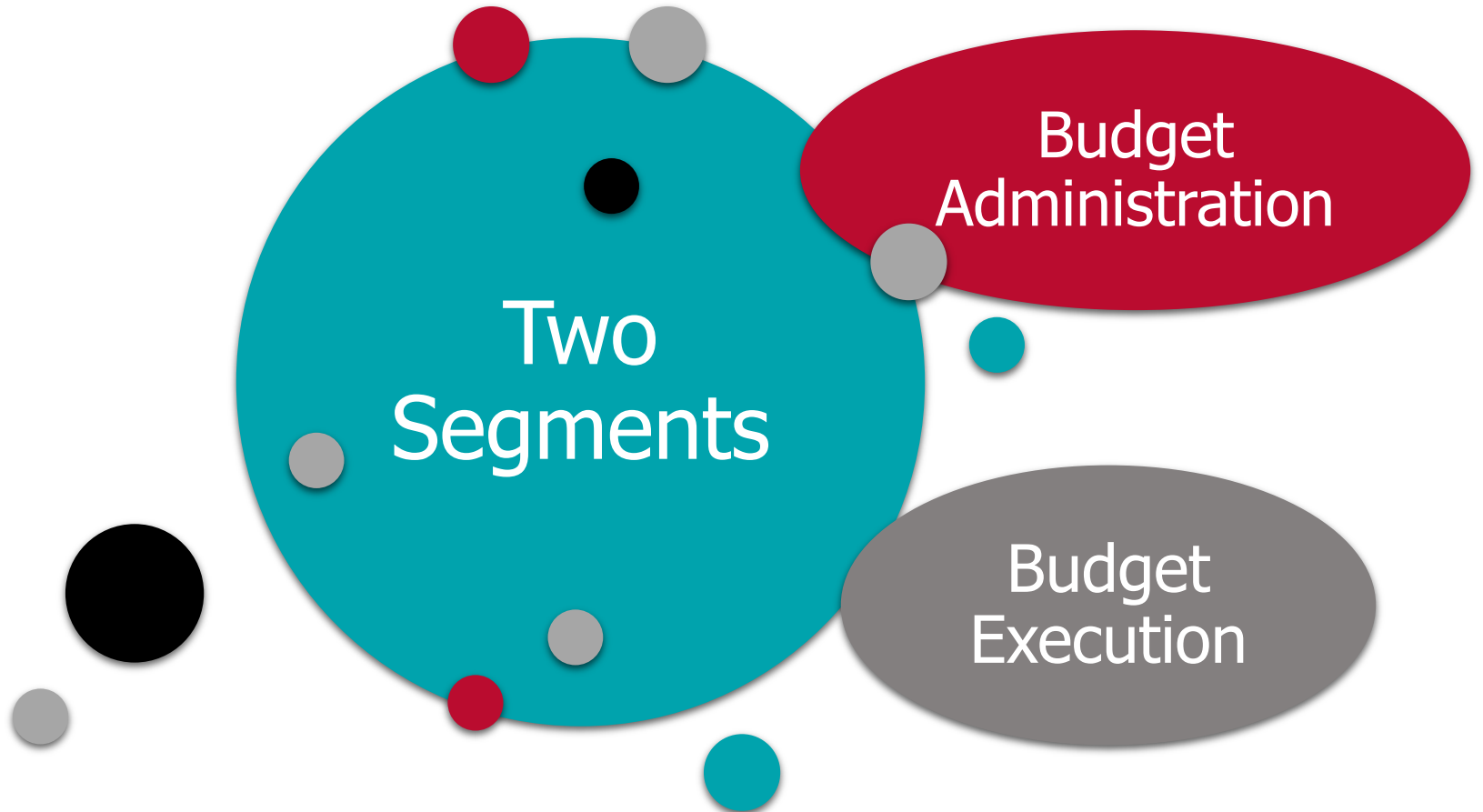
# Operating with the Budget

---



# Budgetary Control

---



# 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

---

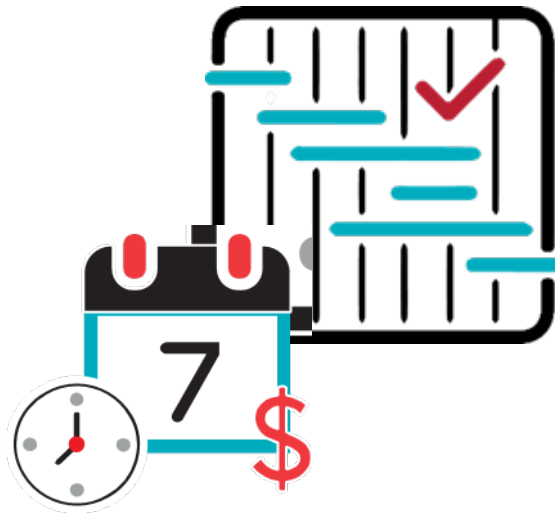
- Encumbrance Accounting/Reporting Control
  - Component of budget administration
  - Allows governments to commit budget appropriations
  - Initiated by a purchase order, contract or other commitment of funds
  - Amount of encumbrance is subtracted from available balance



# 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 Budgeting Online

---



# 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>



# 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

Search Courses

Accounting, Tax and Finance

Business and Leadership

Customized Professional Training

Governmental Training

Grant Writing and Nonprofits

Healthcare and Pharmacy

Human Resources

Languages and Interpreting

Legal Studies

Market Research

Photography

Project Management

Reading and Writing

Teaching, Training and Education

Technology Skills & Applications

Test Prep

Turfgrass Management and Gardening



# Next Free Webinar

---

Revenue Administration <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



---

**2021 © The Carl Vinson Institute of Government. All rights reserved.**



**Carl Vinson  
Institute of Government**  
**UNIVERSITY OF GEORGIA**

Since 1927, the Carl Vinson Institute of Government has been an integral part of the University of Georgia. A public service and outreach unit of the university, the Institute of Government is the largest and most comprehensive university-based organization serving governments in the United States through research services, customized assistance, training and development, and the application of technology.