

2016 SPRING REGION VII MEETING

APRIL 26, 2016

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ASSISTANT SUPERINTENDENT/FINANCE

Welcome to Ruidoso



What Every School Board Member Should Know About Budget... and the Process

Accountability And Transparency

- Solid Internal Controls are Present
- Ethics
- Risks
- Budget Basics

New Mexico Funding

- Legislative
- Laws that Drive What we Do.
 - Statutes
 - Regulatory Guidance
- PED
- BOE Policies

“Transparency and Accountability

Selected Aspects of School Finance - An Overview

Management's Responsibilities

- *“Management is responsible for developing detailed policies, procedures and practices and insuring that they are an integral part of the district operations”*
 - *Internal Control Structure – Five Key Elements*
 - *Control Environment*
 - *Risk Assessment*
 - *Control Activities*
 - Information and Communications*
 - *Monitoring*

(Per NM Manual of Procedures for Public School Accounting and Budgeting, Supplement 2, Internal Control Structure) – GAO Standards for Internal Control, 1994 Report issued by the committee of Sponsoring Organizations of the Treadway Commission (COSO).

Internal Control Standards – Key Factors

- ***Control Environment***

- Integrity and Ethical Values
 - *Sets the Tone*
- Commitment to Competence
- Management's Philosophy and Operating Style
- Organizational Structure
- Assignment of Authority and Responsibility
- Human Resource Policies and Practices
- Oversight Groups

“Where Excellence Is Expected”

Ethics

- *All Districts must make every effort to set an honest and ethical **tone** that should be demonstrated at every level*
- *Operations should reflect an overall attitude and an awareness that reflect actions of the school board, management and others that support the importance of **strict accounting and reporting standards**.*

Internal Control Standards – Key Factors

- ***Risk Assessment***

- Process to identify, analyze and manage risk, externally and internally

- ***Control Activities***

- Each school district shall devise, maintain a written structure of internal administrative and accounting controls pursuant to 6.20.2.11 NMAC.

Internal Control Standards - Key Factors .

- ***Information and Communication***

- Pertinent Information must be identified, captured and communicated in a form and time frame that enables personnel to carry out their responsibilities.
- Management must:
 - Identify and record all transactions
 - Describe in sufficient detail
 - Record transactions in the proper time period
 - Properly present transactions and related disclosures in the district's financial statements

- ***Monitoring***

- Systems require monitoring to assess the quality of the performance over time

Accounting Standards - Reporting

- ***Cash Basis*** for Record Keeping and State Reporting – 6.20.2 NMAC
- **Financial Statements (Audit) – *Full Accrual***
- **Governmental Funds, Budget and Encumbrances (an Element of Control!)**
- **Accurate and Timely Reporting**

Uniform Chart of Accounts (UCOA) and Fund Accounting

- Assists school districts in the consistent development of budgets and in the consistent posting of district or charter school transactions
- Allows districts to compare the results of data and the analysis of that data to other districts both at the state and federal level.

The Uniform Chart of Accounts (UCOA)

❑ Emphasis on Account Code String

Fund Function Object Program Location Job Class



XXXXX.

XXXX.

XXXXX.

XXXX.

XXX/XXX.

XXXX

❑ Usefulness in Organizing and Summarizing Financial Information using the UCOA

Example of a UCOA Transaction

11000.1000.51100.2000.1412

This "Account Code String" reflects the following transaction:

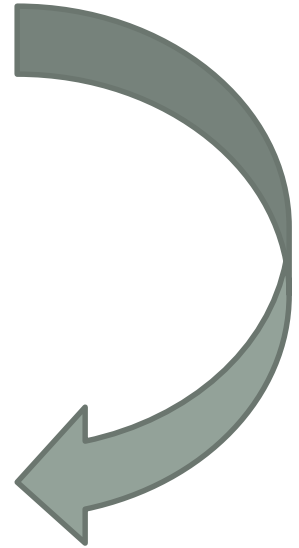
Operational Fund Expenditure

Classroom Instruction - Function

Salary – Object of Expenditure

Special Education - Program

Special Education Teacher – Job Class



UCOA Summary

Sample UCOA Summary Chart

Funds	Functions	Expenditure Objects	Program Codes	Location	Job Class
11000 Operational	100? Instruction	51000 Personnel Salaries	0000 None	004024 BES	11?? Administration
13000 Transportation	2??? Support Services	51200 Overtime Expense	1010 Regular Education*	004041 DLN	12?? Student Support
14000 Instructional Materials	210? Students	51300 Additional Compensation	1020 Elementary Fine Arts*	004044 EGP	13?? SpED Anciliary
21000 Cafeteria	220? Instruction	52??? Benefits	2000 Special Programs *	004050 ELC	14?? Teachers
22000 Athletic Gates	2300 Gen Administration	532?? Prof. Educational Services	3000 Vocational & Technical*	004052 NLP	15?? Data Processing
24??? Federal Flowthrough Grants	2400 School Administration	533?? Other Prof. Services/Training	4010 Bilingual Programs*	004095 MHT	16?? Maintenance, Food Service ,Bus Drivers, Custodial and Miscellaneous
25??? Federal Direct Grants	2500 Central Services	534?? Other Prof. Services	4020 Alternative & At Risk Programs *	004100 MAV	16?? Substitutes
26??? Local Grants	2600 Plant Operation & Maintenance	543?? Repairs & Maintenance	9000 Co & Extra Curricular *	004105 MON	17?? Instructional Assistants
27??? State Flow Through Grants	2700 Student To & From	544?? Utilities	*To be used with function 1000 and 2100 ONLY!	004120 SUN	Unique for Each School in Each District
28??? State Direct Grants	2900 Other Support Services	545?? Construction Services		004122 PKV	
29??? Combined Local/State Grants	3100 Cafeteria	546?? Rentals	004175 WAV		
31100 Bond Building	3300 Community Service	551?? Trans. To & From	004025 BMS		
31200 Public School Capital Outlay	4000 Capital Outlay	552?? Property & Liability Ins.	004042 MMS		
31400 Legislative Capital Outlay	5000 Debt Service	554?? Advertising	004036 MTV		
31700 Two Mill Capital Outlay	Consult the UCOA on PED web page for Valid Strings	558?? Travel	004125 SMS		
31800 Energy Efficiency Act		559?? Interagency Services	004130 GHS		
41000 Debt Services		561?? Supplies & Materials	004135 RHS		
90000 Agency Funds		562?? Energy,Trans, Maintenance Supplies	004132 UHS		
		571?? Land & Land Improvements			
		572?? Building Purchase			
		573?? Vehicles & Equipment			
		582?? Miscellaneous			
		583?? Debt Service			

Budgeting the Sub Funds

Revenue and Expenditures

Budget Exhibit Explains:

- Classification
 - Source of Revenue
 - Function Description for Expenditures
- Object Description
- How to Arrive at District Estimated Budget Entries
- How to Arrive at District Proposed Budget Entries
- ***End Result is a Balance Budget***





Exhibit for Budget Entry SPECIAL REVENUE FUND Example Food Service

REVENUE					2014-2015	2015-2016	EXPENDITURES				2014-2015	2015-2016
					Estimated Amount	Projected Amount					Estimated	Projected
Fund	21000	Reflects actual cash as of 6/15			Equals the difference between estimated current year expenditures and current year estimated revenues-See Below		Fund	Function	Object	Job Class		
Assets												
21000	0000	11111	Unrestricted Cash	205,542	209,126	21000	3000	53711	Othr Chgs	1,000	1,000	
Revenue from Local Sources							21000	3000	55915	Contract	570,796	588,000
21000	0000	41603	Fees Adults	5,977	10,000	21000	3000	56113	Software	6,897	11,428	
21000	0.00	41500	Investment	216	400	21000	3000	56116	Food	292,456	529,598	
21000	0000	41604/5	Fees-Students	95,315	150,000	21000	3000	56117	Non-Food	62,812	65,000	
Revenue from Federal Sources							21000	3000	56118	Supplies	0	90,000
21000	0000	44500	Fed Flowthrough	836,037	915,500							
		Revenue reflects most recent reports plus anticipated revenue to year end										
Total: Food Services					1,143,087	1,285,026	Total Food Services				933,961	1,285,026

937545 933961

Difference between 1,143,087 and 933,961 becomes Unrestricted Cash- Projected or 209,126

Projected Expenditures Equal Projected Revenues !!
A BALANCED BUDGET for 2015-2016

Considerations:

Revenue

Be conservative when you estimate Projected Revenue
Initiate Budget Increases as new Revenue materializes

Expenditures

Consider staffing levels and note enrollment/participation or number of meals to be served in a school year
If the Food Service program is subsidized, be sure and consider this when estimating the costs in other funds for the new year.

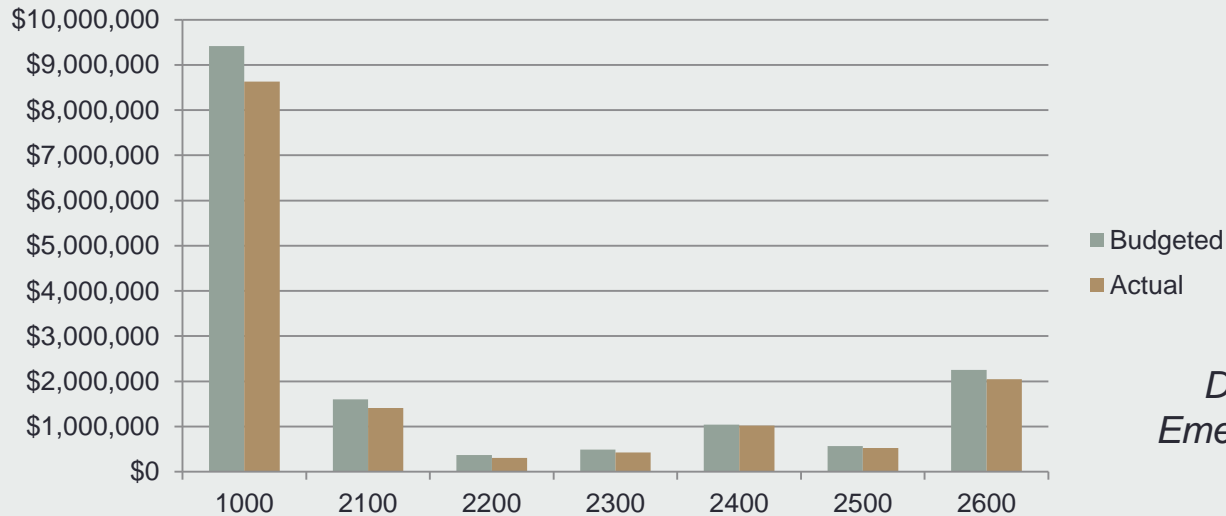
Consolidated Report for the BOE

- Elements of Sound Fiscal Reporting
 - A Periodic Report reflecting:
 - Budget Appropriations
 - Opening Balances
 - Revenues and Expenditures
 - Encumbrances
 - Data is shown *By Fund and Function*
 - This Data Reflects Districts' General Ledger Activity
 - Excellent Tool that *Communicates A District Financial Condition*
 - Prepared and Submitted to the BOE for Review Each Quarter
- *Contained in PED's Manual of Procedures for Public School Accounting and Budgeting - Tips and Tools Supplement*

OPERATIONAL FUND ONLY – 2014-2015

Function	1000	2100	2200	2300	2400	2500	2600
Budgeted	\$9,414,332	\$1,603,899	\$372,728	\$491,788	\$1,041,084	\$571,230	\$2,250,716
Actual	\$8,628,371	\$1,408,988	\$309,718	\$429,490	\$1,017,843	\$527,793	\$2,045,015
% Per Function	60%	10%	2%	3%	7%	4%	14%

Ruidoso Municipal Schools Budget To Actual for 2014-2015

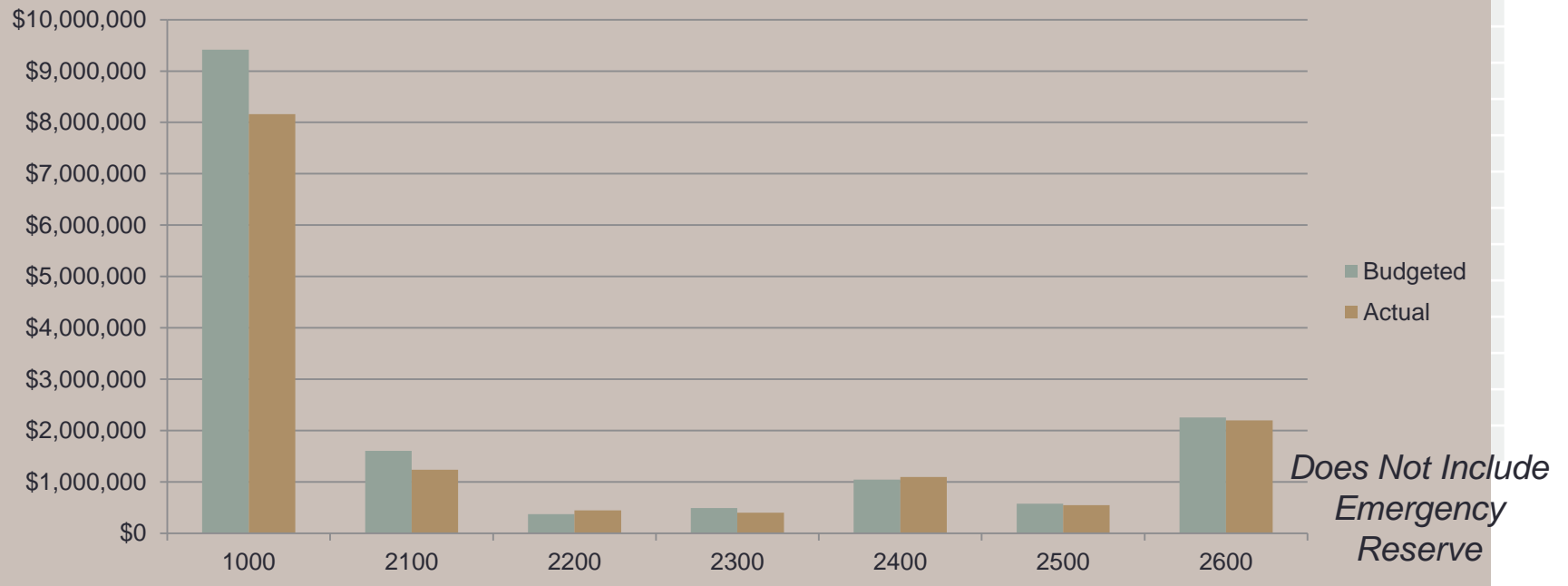


*Does Not Include
Emergency Reserve or
Fund Balance*

OPERATIONAL FUND – 2015-2016

Function	1000	2100	2200	2300	2400	2500	2600
Budgeted	\$9,414,332	\$1,603,899	\$372,728	\$491,788	\$1,041,084	\$571,230	\$2,250,716
Actual	\$8,162,157	\$1,233,171	\$444,022	\$397,353	\$1,091,311	\$547,660	\$2,196,559
% Per Function	58%	9%	3%	3%	8%	4%	16%

Ruidoso Municipal Schools Budget To Actual for 2014-2015



Current Cash Balance - 11000

Actual Cash Balance June 30, 2014	\$2,057,018.76
Actual Expenditures for 2014-2015	\$14,077,262.52
Revenues for 2014-2015	\$15,716,173.21
Loans Outstanding*	\$600,000.00
Cash Balance for Period Ending 6/30/15	\$3,095,929.45

*Emergency Reserve set for 1516 @ 823,354 – Credits to be revised due to
June Receipts of Forest Reserve and Local Taxes*

** Loans to Federal Programs (24000/27000 Funds) As of June 30, 2015*

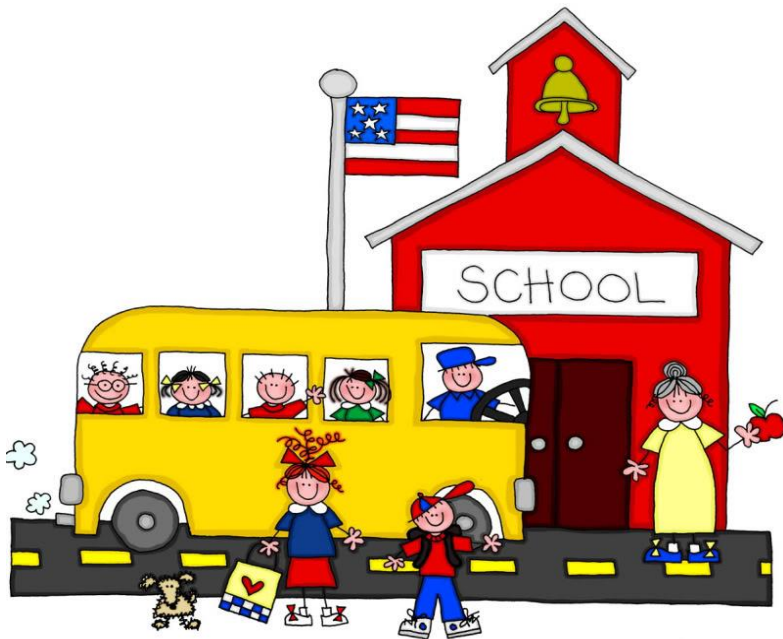
Anticipated Use of Cash Balance for 2015-2016

Available Cash to Budget	\$3,095,929.45
Credits (Est) Received in June, 2015	-\$75,704
Emergency Reserve (Budgeted/Not Readily Accessible)	-\$823,354
The shortfall of new revenue - Program Cost Worksheet	-\$500,000
<u>Mandated Increase in Cost for 2015-2016</u>	<u>-\$491,000</u>
Adjusted Net Available	\$1,205,870

Because the Need for Loans Increased and additional Credits were received in June, 2015, the available difference to budget is only \$139,870 for 2015-2016

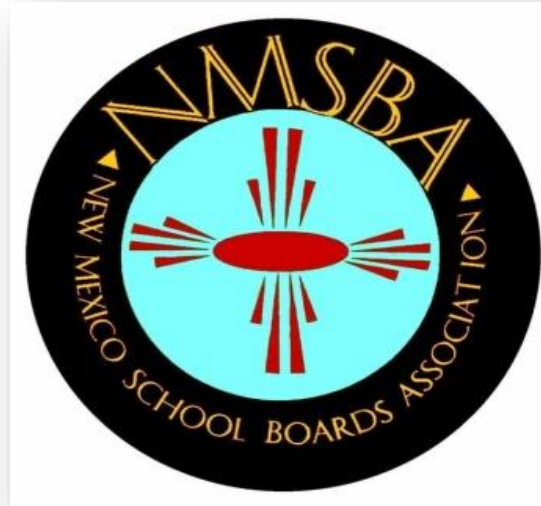
Budget Basics for School Board Members

Handout



- **STATE EQUALIZATION GUARANTEE**
- **BASIC BUDGET- INFORMATION FLOW**
- **BUDGETING EXPENDITURES**
- **CASH BALANCE – 23 REASONS AND COUNTING**

Thank You Have a Great Conference!



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