



An introduction to budgeting and budget management

Brattleboro Development Credit Corporation
Southern Vermont Economy Project
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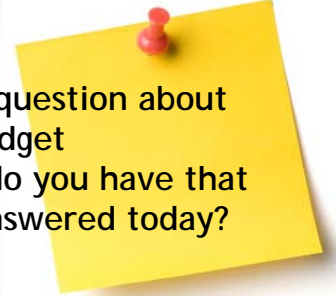

Workforce development



Trustee & Treasurer

What burning question about budget and budget management do you have that needs to be answered today?

How do we raise money? What does a budget for this kind of thing look like?

Insight on budgeting during and after a pandemic!

I'd like to know more about financial systems

non-profit requirements for financial recording


Need to know more about capital expenditures.

What financial management actually entails with how projects of such nature are dealt

Non-Profit budgeting

capital asset and depreciation

What am I doing right/wrong?

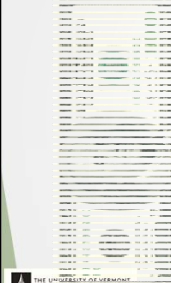


Learning objectives; "student will..."

1. Appreciate how your organization's values, vision, and mission relate to your budget.
2. Understand what a budget is.
3. Be able to describe basic accounting terms.
4. Be able to describe the budget cycle.
5. Possess increased knowledge about managing the budget.
6. Understand a bit more about financial controls.



Run of show:



1. Connecting the mission, vision and values.
2. Talking (a little) like an accountant.
3. What is a budget?
4. Key points in preparing the budget.
5. Steps in the budgeting process.
6. Managing the budget
7. Budget controls.
8. Freedom.



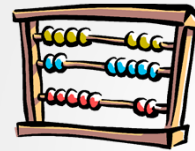
What your organization believes.



What your organization does.

How you spend your money reflects your true beliefs and what you hope to become.

What your organization hopes to achieve or become.



Talk like an bookkeeper


Accounting:

Gather, record, analyze and present information about money, value and worth



Talking the talk

- General ledger - complete record of library's financial transactions throughout your library's life.
- A chart of accounts - a created list of the *fields* (e.g., columns in a spreadsheet) used by an organization to *define* each class of items for which money or its equivalent is spent or received.



DEBITS	CREDITS
ASSETS	LIABILITIES
EXPENSES	GAINS
LOSSES	INCOME
DIVIDENDS	REVENUES
	EQUITY

THE UNIVERSITY OF VERMONT
EXTENSION

Talking the talk

- Revenue - any money earned
- Expense - any cost incurred
- Invoice - requests payment for a purchase
- Receipt - document that proves payment

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Many types of accounting systems exist.



NEMRC
FUND ACCOUNTING
New England Municipal Resource Center

FRESHBOOKS

qb intuit quickbooks

ZOHO Books

sage

xero


kashoo

sunrise

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Talking the talk

- Assets: accounts that show everything that the organization or municipality "owns".
- Liabilities: accounts showing everything the organization or municipality "owes".



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Talking the talk - fiscal reports

- A balance sheet is a snapshot of the organization at a specific point in time such as the end of year.
- The balance sheet shows the assets, liabilities and equity. Assets must always equal the sum of liabilities and equity.

SAMPLE BALANCE SHEET	
ASSETS	LIABILITIES & EQUITY
Current Assets	Liabilities
Checking Account 5,000	Current Liabilities
Savings Account 1,000	Accounts Payable 12,000
petty Cash 500	Line of Credit 20,000
Accounts Receivable 10,000	Payroll Liabilities 7,000
Inventory 15,000	Total Current Liabilities 29,000
Prepaid Insurance 4,000	
Total Current Assets 49,500	
Noncurrent Assets	Noncurrent Liabilities
Accumulated Depreciation 4,500	Long-term Debt (Bond) 40,000
Computer 7,000	Total Liabilities 69,000
Building 60,000	Equity
Land 60,000	Owner's Capital 25,000
Total Noncurrent Assets 127,000	Retained Earnings 90,000
Total Assets 177,000	Total Equity 90,000
	Total Liabilities & Equity 177,000



Your Company

Balance Sheet

Assets (What you own)	Liabilities (What you owe)
Current Assets	Current Liabilities
Cash	Accounts Payable
Inventory (at cost)	Accrued Taxes
Accounts Receivable	Other
Other	Total Current Liabilities
Total Current Assets	
Other Assets	Long Term Liabilities
Equipment (net)	Loan Payable
Deposits	Total Liabilities
Prepaid Expenses	
Total Other Assets	Equity (What's left after "Own minus Owe")
	Owner's Equity
Total Assets	Total Equity
(Can be turned into Cash)	(Must "balance" Assets)

Formula: Total Assets = Total Liabilities + Total Equity

<https://www.santacruzsbdc.org/sites/default/files/SC%20Financial%20Template%202017.pdf>



Talking the talk - fiscal reports

An income statement or profit and loss shows the organization's revenues and expenses during a particular period.



Net profit before owner salary and taxes = Total revenue less cost of goods sold less total expenses

Simple profit and loss	
Revenue 1	\$ 50,000.00
Revenue 2	\$ 25,000.00
Total revenue	\$ 75,000.00
Less: Cost of Goods Sold	\$ 25,000.00
Equals: Gross Profit	\$ 50,000.00
Expenses	
Accounting and legal fees	\$ 1,600.00
Advertising	\$ 1,500.00
Depreciation	\$ -
Utilities	\$ 350.00
Insurance	\$ 340.00
Interest and bank charges	\$ 60.00
Postage	\$ 450.00
Printing and stationery	\$ 1,100.00
Professional membership	\$ 500.00
Rent for premises	\$ 7,500.00
Repairs and maintenance	\$ 200.00
Training	\$ -
Vehicle operating costs	\$ -
Wages and salaries	\$ -
Employer's taxes	\$ -
Employee benefits	\$ -
All other expenses	\$ -
Total Expenses	\$ 13,600.00
Less	\$ -
Equals: Net Profit (BOS)	\$ 36,400.00



Talking the talk

- Purchase order - from purchaser to vendor that authorizes a purchase
- Accounts payable - money you owe
- Accounts receivable - money owed to you

Talking the talk, continued

Municipal impact fee - imposed on residential development to pay for costs of public service (e.g., recreation, library).

Reserve - a set-aside of discretionary money for future use.

Grant - non-repayable funds to do something specific, usually requiring reporting.

NOTE: in the town of Georgia, impact fee balance and reserves together fund the capital budget.

Talking the talk, continued

Endowment - a donation of money that protects principal and spends only investment income; grows over time.

Gift - a donation of money or item; short term fund.



Need to know more about capital expenditures.



Capital item is a longer-lasting thing "not consumed" in ordinary course of business.

Capital items are often funded from current expenses, or may be purchased from "special funds", such as reserves.

Capital items may become "fixed costs" as they are depreciated over a set time period.

Need to know more about capital expenditures.

Capital items may become "fixed costs" as they are depreciated over a set time period.

Depreciation is an accounting method of allocating the cost of a tangible or physical asset over its useful life.

IRS: Depreciation

- 5-year property - automobiles, tech equipment, appliances, computers
- 7-year property - office furniture, agricultural machinery, any property that does NOT have a designated class life
- 10-year property - boats, ag structure
- 15-year property - restaurants, gas stations, municipal wastewater treatment plant
- 20-year property - farm buildings
- 39-year property - commercial real estate

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Pause

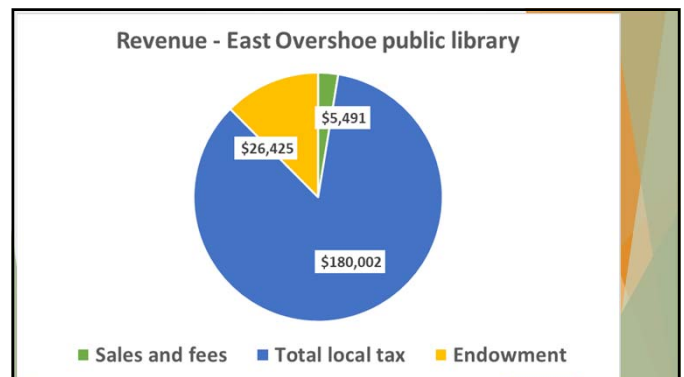


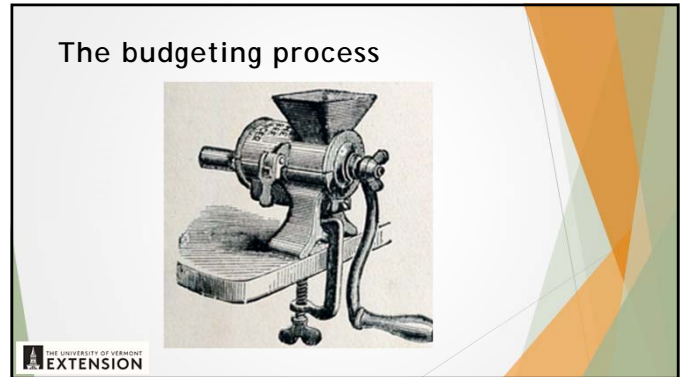
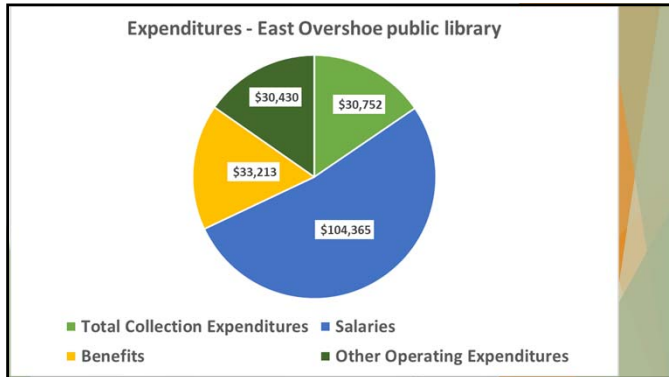
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What is a budget?

- A budget is an **organizational plan** stated in monetary terms.
- An estimate of income, first, and expenditure, second, for a set period of time.
- **Revenues:** Money that comes in.
- **Expenditures:** Money that goes out.

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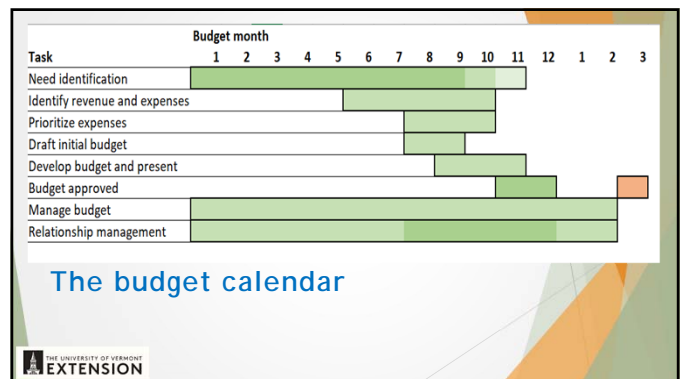




Key questions to think about...

- Remember your strategic plan!
- How is the organization funded (revenue sources)?
- Who is on the budget team? Roles?
- How are expenses determined?
- Who has final say?
- Has a budget calendar been established?

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Steps in the budgeting process

- 1
 - Identify needs
- 2
 - Identify revenues and expenses
- 3
 - Prioritize expenses

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Steps in the budgeting process

- 4
 - Draft initial budget
- 5
 - Develop budget and present
- 6
 - Manage budget

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Steps in the budgeting process

- 1
 - Identify needs

Strategic / business plan
Community / customer needs
Vision statement

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Steps in the budgeting process

- 1
 - Identify needs
- 2
 - Identify revenues and expenses

What are sources of revenue?
What are sources of expense?
Where *is* this information?


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Where *is* this information?

LATEST NUMBERS
-0.1% Consumer Price Index (CPI), in May 2020

- Current and past years' actual revenue and expenses
- New priority or project? Research it!
- US Department of Labor - CPI, payroll tax changes [for payroll projections]
- Other?

The current tax rate for social security is 6.2% for the employer and 6.2% for the employee, or 12.4% total. The current rate for Medicare is 1.45% for the employer and 1.45% for the employee, or 2.9% total.
<https://www.irs.gov/taxtopics/tc751>



The budgeting process

It's all about What's most important.

3

- Prioritize expenses




Prioritizing expenses

- Determining if there are **additional** programs that need to be included in the upcoming budget that were not in last year's budget
- Identifying programs or activities that may be **eliminated** or **modified** in the new budget
- Establishing spending **priorities** for the coming budget year for existing and any possible new programs

3

- Prioritize expenses



The budgeting process


4

- Draft initial budget

5

- Develop budget and present

Relationships. Value.



Pause



The budgeting process, revisited.

- Get reports on a regular basis.
- Get reports that you can read. Summary & detailed.

6
• Manage budget

- Budget to actuals report compares what you intent to spend to what you actually spend.
- Budget transaction detail report has every expense listed; the summary of each account is called a ...
- Budget status report is an example of this commonly found in municipalities, from NEMRC software (example following)

6
• Manage budget

Account	Budget	Actual
Salaries	\$ (65,310.00)	\$ 54,818.47
Sick Pay	\$ (817.00)	\$ 774.38
Vacation	\$ (1,632.00)	\$ 1,076.80
Bereavement Pay	\$ -	\$ -
Holiday	\$ (1,958.00)	\$ 1,612.80
Social Security	\$ (4,521.00)	\$ 3,750.94
Retirement	\$ (3,016.00)	\$ 2,627.93
Health Insurance	\$ (21,600.00)	\$ 19,800.00
HRA Funding	\$ (1,250.00)	\$ 1,249.80
Dental Insurance	\$ (426.00)	\$ 401.77
	\$ (100,530.00)	\$ 86,112.89

NEMRC
FUNDS ACCOUNTING

New England Municipal Resource Center

6
• Manage budget

Account	Budget	Actual
21-Oct-19		
Salaries	\$ (65,310.00)	\$ 54,818.47
Sick Pay	\$ (817.00)	\$ 774.38
Vacation	\$ (1,632.00)	\$ 1,076.80
Bereavement Pay	\$ -	\$ -
Holiday	\$ (1,958.00)	\$ 1,612.80
Social Security	\$ (4,521.00)	\$ 3,750.94
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Health Insurance	\$ (21,600.00)	\$ 19,800.00
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Dental Insurance	\$ (426.00)	\$ 401.77
	\$ (100,530.00)	\$ 86,112.89

6 • Manage budget

Account	Budget	Actual	Budget Balance
21-Oct-19			
Salaries	\$ (65,310.00)	\$ 54,818.47	\$ (10,491.53)
Sick Pay	\$ (817.00)	\$ 774.38	\$ (42.62)
Vacation	\$ (1,632.00)	\$ 1,076.80	\$ (555.20)
Bereavement Pay	\$ -	\$ -	\$ -
Holiday	\$ (1,958.00)	\$ 1,612.80	\$ (345.20)
Social Security	\$ (4,521.00)	\$ 3,750.94	\$ (770.06)
Retirement	\$ (3,016.00)	\$ 2,627.93	\$ (388.07)
Health Insurance	\$ (21,600.00)	\$ 19,800.00	\$ (1,800.00)
HRA Funding	\$ (1,250.00)	\$ 1,249.80	\$ (0.20)
Dental Insurance	\$ (426.00)	\$ 401.77	\$ (24.23)
	\$ (100,530.00)	\$ 86,112.89	\$ (14,417.11)

6 • Manage budget

Account	Budget	Actual	Budget Balance	% of Budget
21-Oct-19				
Salaries	\$ (65,310.00)	\$ 54,818.47	\$ (10,491.53)	16%
Sick Pay	\$ (817.00)	\$ 774.38	\$ (42.62)	5%
Vacation	\$ (1,632.00)	\$ 1,076.80	\$ (555.20)	34%
Bereavement Pay	\$ -	\$ -	\$ -	
Holiday	\$ (1,958.00)	\$ 1,612.80	\$ (345.20)	18%
Social Security	\$ (4,521.00)	\$ 3,750.94	\$ (770.06)	17%
Retirement	\$ (3,016.00)	\$ 2,627.93	\$ (388.07)	13%
Health Insurance	\$ (21,600.00)	\$ 19,800.00	\$ (1,800.00)	8%
HRA Funding	\$ (1,250.00)	\$ 1,249.80	\$ (0.20)	0%
Dental Insurance	\$ (426.00)	\$ 401.77	\$ (24.23)	6%
	\$ (100,530.00)	\$ 86,112.89	\$ (14,417.11)	14%

6 • Manage budget

Account	Budget	Actual	Budget Balance	% of Budget
21-Oct-19				
			Day # 294 =	19%
				Left of year
Salaries	\$ (65,310.00)	\$ 54,818.47	\$ (10,491.53)	16%
Sick Pay	\$ (817.00)	\$ 774.38	\$ (42.62)	5%
Vacation	\$ (1,632.00)	\$ 1,076.80	\$ (555.20)	34%
Bereavement Pay	\$ -	\$ -	\$ -	
Holiday	\$ (1,958.00)	\$ 1,612.80	\$ (345.20)	18%
Social Security	\$ (4,521.00)	\$ 3,750.94	\$ (770.06)	17%
Retirement	\$ (3,016.00)	\$ 2,627.93	\$ (388.07)	13%
Health Insurance	\$ (21,600.00)	\$ 19,800.00	\$ (1,800.00)	8%
HRA Funding	\$ (1,250.00)	\$ 1,249.80	\$ (0.20)	0%
Dental Insurance	\$ (426.00)	\$ 401.77	\$ (24.23)	6%
	\$ (100,530.00)	\$ 86,112.89	\$ (14,417.11)	14%

6 • Manage budget

- Get regular reports that you can read.
- Keep up on purchase orders and invoices.
- Reconcile monthly.
- Don't let questions linger.
- If you want something changed, ask.
- Understand what you are responsible for.
- Communicate!

6
• Manage
budget

- Always code correctly!
- Budgeting time should be budgeted"!
- Plan for the unplanned - maintain flexibility. - COVID-19!

6
• Manage
budget

non-profit requirements for financial recording

- A quick aside
 - Commercial software or a bookkeeper are good investments.
 - Every expense must have a documented business purpose.
 - All revenue and expenses must be documented with a "trail" - invoices, receipts, et cetera.
 - An audit makes certain that the books are "good"; an audit "samples" the "books" to see if there's anything amiss.

Pause



Budget controls

“Control is the process of monitoring activities to ensure that they are being accomplished as planned and any significant deviations are corrected.”



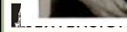
Internal Controls for Financial Reporting, modified by G. Deziel from Table 8.3 Internal controls for financial reporting, Medium Sized Public Library, Sonnewald, William W. Financial Management for Librarians, American Library Association, 2018. Print.



Budget controls



Cash is great, but Cash can be trouble, too.



The Orleans County Record
WEDNESDAY, MARCH 16, 2011
An Edition Of The Castleton Record

Established 1837 www.orleanscounty.com 75 Cents

TODAY: Wintry mix changing to rain
HIGH: 41
LOW: 29
More weather on Page 2

Ice Jam Removed
Page 2

Brain Outlast Jacks
Page 81

Paddle Making In East Charleston
Page 84

UVM Employee Charged With Embezzling \$45,800

BY DENVER HERBERT CLEVELAND
Staff Writer

NEWPORT CITY — An employee at the University of Vermont Extension has been charged with embezzling \$45,800 during a five-year period by dipping into UVM funds for personal use, according to a report filed in court records.

Colin Bennett, 46, of Newport pleaded not guilty to a fifth-degree embezzlement Tuesday in Orleans Superior Court Criminal Division and was released.

Bennett was charged with the embezzlement after a five-year investigation by the Vermont State Police and the Vermont State Auditor's Office. The charges were filed in Orleans Superior Court.

Bennett, who worked for the extension service for more than 20 years, was placed on administrative leave from his job at Newport August 2006 after the state auditor reported the charges.

Bennett was charged with the embezzlement after a five-year investigation by the Vermont State Police and the Vermont State Auditor's Office. The charges were filed in Orleans Superior Court.

After the case closed in late 2009, Bennett filed about \$22,000 in checks to Bennett's office.

The auditors searched bank and credit statements, finding eight instances where no checks had been deposited into the organization.

The university was tipped off last year by a letter from Castleton National Bank that contained a check for \$1,422 payable to UVM Extension that was deposited into Bennett's personal account last 31, 2010. Bennett also later making the deposit, according to court records.

— Staff Reporter, Page A2

Budget controls

1. Authorizations
2. Reconciliations
3. Segregation of duties
4. Physical safeguards
5. Maintaining records
6. Information systems



Budget controls

TYPE of control	DESCRIPTION
Authorizations	Prevention - requiring management to formally approve certain types of transactions.
Reconciliations	Detection - relating data sets to one another to identify and resolve discrepancies.

Budget controls

TYPE of control	DESCRIPTION
Segregation of duties	Prevention - separating responsibility related to authorizing transactions.
Physical safeguards	Prevention - using locks, cameras, barriers to protect assets.
Maintaining records	Detective - maintaining written and/or electronic evidence to support transactions.
Information systems security	Prevention and detection - using passwords and security access logs to ensure appropriate data restrictions.

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