

Finance 101 for Board of Education Members

Presented by:

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Overview & Objectives

- **Reading a Financial Statement**
 - Budget Overview
 - Budgetary statements & line-item transfers
 - Fund Accounting and related statement
- **Non-Lapsing Funds**
- **Best Practices: Internal Controls**



Financial Oversight and Responsibility

Role of the School Board:

- Ensuring fiscal responsibility
- Oversight of financial reports (balance sheets, income statements)
- Approving large financial transactions (e.g., contracts, capital projects)

Importance of Transparency and Accountability:

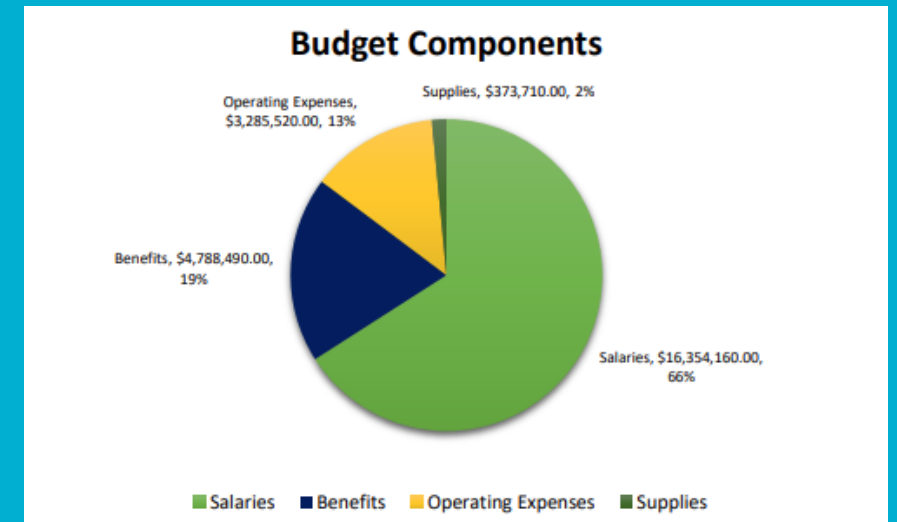
- Regular financial reporting
- Public disclosure and community engagement
- Auditing and compliance



What is a School Budget?

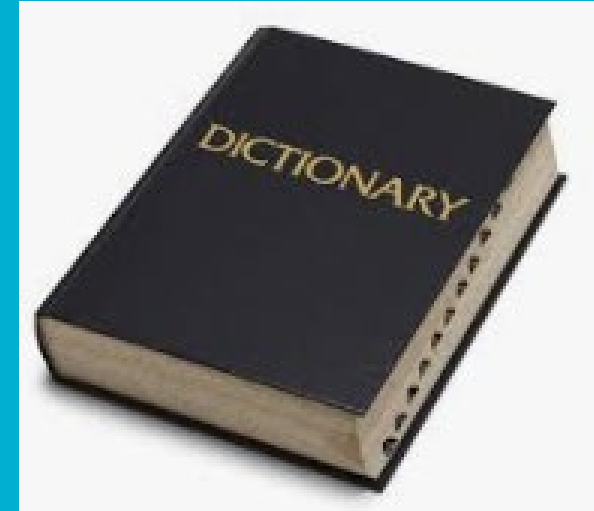
Definition: A financial plan that outlines projected expenses for a school district

- Purpose: Ensures resources are aligned with educational goals
- Major Expense Categories:
 - Instructional Costs: Salaries, benefits, instructional supplies
 - Operational Costs: Facilities, maintenance, utilities
 - Student Support Services: Counseling, special education, transportation
 - Capital Expenditures: Infrastructure, technology, equipment



Definitions

- Encumbrances : a commitment to pay for a specific purpose in the future, such as a purchase order or contract
- Expenditure: a payment with either cash or credit to purchase goods or services
- Projection : a method of estimating an entity's future financial performance
- Budget to Actual : the process of comparing a company's actual financial results to its budget
- Budget Transfer : the movement of funds from one budget line item to another, or from one account to another



Budget Process

- Budgets are submitted to appropriate Town Board(s)
- Revenue estimates are developed (i.e. building permits, interest income, state grants such as ECS and PILOT payments)
- Budgets are reviewed and the impact on the mill rate is considered
- Budget is approved and mill rate is set
- Property tax bills are sent out by the Tax Collector based on assessment amounts in the Town's Grand List.



Financial Reporting - Budget to Actual

**MANSFIELD BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FISCAL YEAR 2023/24 - As of June 30, 2024**

	<u>FY23/24 Budget</u>	<u>Encumbrance</u>	<u>Actual</u>	<u>Available Budget</u>	<u>% Spent</u>
Expenditures					
General instruction	\$ 7,926,350	\$	\$ 7,929,560	\$ (3,210)	100.0%
English	41,700		43,362	(1,662)	104.0%
World Languages	8,110		5,146	2,964	63.5%
Health and Safety	4,900		3,618	1,282	73.8%
Physical Education	19,520	3,273	6,982	9,265	52.5%
Art	16,810		13,491	3,319	80.3%
Mathematics	19,790		13,070	6,720	66.0%
Music	25,550		23,001	2,549	90.0%
Science	91,480	995	68,490	21,995	76.0%
Social Studies	12,290	1,418	8,468	2,403	80.4%
Information Technology	276,990	27,454	247,149	2,387	99.1%
Family and Consumer Scieces	10,730		9,541	1,189	88.9%
Technology Education	34,750		36,272	(1,522)	104.4%
English Learners	89,220		60,190	29,030	67.5%
Special Education Instruction	1,876,950		1,803,401	73,549	96.1%

Budget: Line Item Transfers

**Mansfield Board of Education
Proposed Yearend Transfers - FY 2023/24**

PROGRAM #	ACCOUNT DESCRIPTION	CURRENT BUDGET	ADDITIONS	REDUCTIONS	REVISED BUDGET
Location 00 - Unassigned					
690000	690000 Transfers Out To Other	75,000	275,000	(5,000)	345,000
Location 05 - Middle School					
611010	611010 General Instruction	3,488,150		(66,985)	3,421,165
611020	611020 English	13,810		(2,118)	11,692
611040	611040 World Languages	4,680		(255)	4,425
611050	611050 Health & Safety	3,750		(132)	3,618
611060	611060 Physical Education	8,520		(250)	8,270
611070	611070 Art	6,810		(571)	6,239
611080	611080 Mathematics	8,340		(1,592)	6,748
611090	611090 Music	17,150	1,365		18,515
611100	611100 Science	12,490	908		13,398
611110	611110 Social Studies	9,290		(2,098)	7,192
611220	611220 Life & Consumer Science	10,730		(1,189)	9,541
611230	611230 Technology Education	34,750	1,522		36,272

Fund Accounting

Governmental Funds:

- Education Grants
- Cafeteria
- Student Activities
- Non-lapsing (new!!)

Self Supporting

- Revenues (should) cover expenditures



Fund Accounting - Balance Sheet

Mansfield Board of Education Cafeteria Fund Balance Sheet June 30, 2024		
(with comparative totals for June 30, 2023)		
	<u>2024</u>	<u>2023</u>
Assets		
Cash and Cash Equivalents	\$ (8,969)	\$ 226,027
Accounts Receivable	77,974	189,647
Inventory	14,325	11,553
Total Assets	<u>83,330</u>	<u>427,227</u>
Liabilities and Fund Balance		
Liabilities		
Accounts Payable	14,153	35,855
Accrued Payroll	2,915	7,709
Due to Other Funds	10,505	9,826
Deferred Revenue	26,100	65,911
Total Liabilities	<u>53,672</u>	<u>119,300</u>
Fund Balance	<u>29,658</u>	<u>307,927</u>
Total Liabilities and Fund Balance	<u>\$ 83,330</u>	<u>\$ 427,227</u>

Key Balance Sheet terms:

- Asset
- Liability
- Fund Balance

$$\text{Assets} = \text{Liabilities} + \text{Fund Balance}$$

Fund Accounting – Profit and Loss Statement

Mansfield Board of Education Cafeteria Fund Comparative Statement of Revenues, Expenditures and Changes in Fund Balance June 30, 2024 (with comparative totals for June 30, 2023)		
	<u>2024</u>	<u>2023</u>
Revenues		
Sales of Food	\$ 426,727	\$ 203,476
Intergovernmental	621,316	927,750
Other	19,673	151
Total Revenues	<u>1,067,716</u>	<u>1,131,377</u>
Expenditures		
Salaries & Benefits	773,092	666,617
Food & Supplies	553,194	504,658
Repairs & Maintenance	3,698	6,371
Equipment	13,451	24,234
Contingency	-	-
Total Expenditures	<u>1,343,435</u>	<u>1,201,881</u>
Other Financing Sources (Uses)		
Transfers Out - General Fund	<u>(2,550)</u>	<u>(2,550)</u>
Excess (Deficiency) of Revenues	(278,269)	(73,054)
Fund Balance, July 1	<u>307,927</u>	<u>380,981</u>
Fund Balance, June 30	<u>\$ 29,658</u>	<u>\$ 307,927</u>

Key P&L terms:

- Revenues
- Expenditures
- Other Financing

History of the Non-Lapsing Fund

(Unexpended Education Funds Account-CGS 10-248a)

- Public Act 10-108 - Effective for fiscal year ending 06/30/2011
 - Allowed Town Board's of Finance to deposit 1% of the prior fiscal year's education budget into the non-lapsing fund
 - Did not specify eligible expenses from the fund
- Public Act 19-117 - Effective for fiscal year ending 06/30/2020
 - Increased the amount that could be deposited into the fund to 2%
 - Limited the expenses from the account to educational purposes only
 - Added a section requiring Boards of Education to approve the expenses
- Public Act 24-45 - Effective for fiscal years ending 06/30/2024
 - Permits the Board of Education to make the deposit
 - No longer requires Town approval



Understanding the Non-Lapsing Fund (Unexpended Education Funds Account-CGS 10-248a)

- **Boards of Education can accumulate savings over time**
 - No cap on the accumulation though boards should consider implementing a cap
 - Limited to expenses for educational purposes
 - Provides boards with the ability to cover unanticipated costs that can arise (i.e. capital expenses and special education costs)
- **Boards of Education vote to create an “Unexpended Funds Account”**
- **Boards should also develop and adopt guidelines and procedures for the deposit into the account and expenditures out of the account.**



Items to Consider for Account Guidelines

(Unexpended Education Funds Account-CGS 10-248a)

- **Max Balance in the Account**
 - While not required by the Statute, Boards should consider setting a cap on the amount that can accumulate in the account
 - If a district doesn't have expenses from the account over the course of a few years, the balance in the account could grow.
- Process for Approval of Expenses
- Eligible Expenses
- Percent of Budget to set aside (statute allows up to 2%)



Best Practices: Internal Controls

Written Policies

Separation of Duties

Requisition and Purchase Order Processes

Contracts

Reconciliations

Audit

Written Policies

- Must have clear policies set by Board for all staff.
- Model policies exist from CABE and several law firms.
- Must update and keep current.

Separation of Duties

- In many small districts, this can be a challenge
- A key part of internal controls
- Multiple individuals must be involved in processes—
For example: payroll—human resources sets salaries and payroll coordinator issues pay checks.
- Your staff should be able to take a vacation.
- Open access and transparency are keys to success.

Requisitions and Purchase Orders

- Does your district have an established process for requisitions and purchase orders?
- Are there levels of approvals?
- Are purchase cards (credit cards) used?

Contracts

- Who has authority to sign a contract
- Legal Review
- Risk Management Review

Reconciliation Processes

- What is a reconciliation?
- Which entity is responsible?
- Town or Board?
- Timeliness of Reconciliation

Conducting a Risk Assessment

Cash Handling Procedures: Do you have clear policies and processes?

Student Activity Funds: Who is responsible, how are reconciliations performed.

Procurement, Reimbursement, Check Issuance Processes



Review

What is your opinion of these accounts?

Anytown Public Schools				
Fiscal Year 2025				
Budget Year to Date Report				
10/8/2024				
Description	Budgeted	Encumbrance	Actual	Remaining
Electricity	\$ 2,000,000.00	\$ 1,666,667.00	\$ 333,333.00	0.00
Natural Gas	\$ 1,200,000.00	\$ 1,090,000.00	\$ 110,000.00	0.00
Telephone	\$ 350,000.00	\$ 215,000.00	\$ 125,000.00	10,000.00
Internet	\$ 425,000.00	\$ 354,167.00	\$ 70,833.00	0.00

Conclusion

Key Takeaways:

- Understanding school funding and budgeting is crucial for effective governance.
- School boards play a vital role in ensuring financial health and accountability.

Next Steps:

- Regular financial training for board members
- Engagement in budget planning and monitoring processes



Questions?

Thank You

- If you have questions, please contact CASBO Executive Director, Sharon Bruce, at ssbruce@comcast.net or 860.519.0023



Key Financial Terms for Board Members

- Revenue vs. Expenditure
- Deficit vs. Surplus
- Cash Flow
- Capital Budget vs. Operating Budget
- Bond Issuance and Debt Service



Common Financial Challenges in Education

Budget Cuts and Funding Shortfalls

- Managing reduced state/federal funding
- Impact on staff and programs

Unfunded Mandates

- Legal obligations without dedicated funding

Capital Needs

- Maintaining and upgrading school facilities



Best Practices for Board Financial Governance

Engage with Financial Reports:

- Ask questions and seek clarification

Collaborate with Key Stakeholders:

- Work closely with school administrators and finance staff

Encourage Transparency:

- Ensure the community is informed and engaged in financial decisions

