SFO® Certification Program
ASBO International’s Mission

ASBO International’s mission is to lead the profession of school business forward. Through our professional growth opportunities, programs, and services, we promote the highest standards of school business management practices. We provide a global network of support that enhances our members’ ability to collaborate and lead with a global perspective. We are dedicated to supporting school business officials and providing the resources they need to effectively use educational resources—ultimately ensuring every student has the opportunity to receive a quality education.
SFO Commission Governance

ASBO International’s certification program is governed by the Certification Commission, a semi-independent certifying body of the Association of School Business Officials International.

In adherence to best practices for certifying bodies, Certification Commission volunteers and certification staff are not involved in the development of any preparatory program, and no preparatory program is endorsed by the Certification Commission nor is a prerequisite to earn the certification.

The Certification Commission and its staff are solely responsible for the policies and administration of the certification program, including application procedures and qualification requirements.
What is the Certified Administrator of School Finance and Operations® (SFO®)?

Developed by school business management professionals and supported by ASBO International, the Certified Administrator of School Finance and Operations® (SFO®) defines the essential skills and knowledge that every effective school business professional should possess and demonstrates to employers that you have real-world, practical expertise that can be readily applied to the current work environment.

The SFO is an international certification, recognized in the United States and Canada.
Why is the SFO certification valuable for school business officials?

The SFO can increase your earning potential by showing you’ve reached clearly defined career goals, which mobilizes you for future professional advancement and ranks you among the top-qualified professionals in your industry.

- Initiative, professionalism, dedication
- Career advancement
- Measure up to professional standards
- Recognition
- Instill confidence
- Continued professional development
Why is the SFO certification valuable to employers?

SFO certification tells employers which individuals have met high standards in education, knowledge, and experience.

- Proven knowledge and skills
- Capable of thinking critically
- Seasoned in school business practices
- Built public confidence
- Maintains high standards and ethics
Certification vs. Certificate

Professional or personnel certification is a voluntary process by which individuals' pre-acquired knowledge, skills, or competencies are evaluated against predetermined standards. The focus is on an assessment that is independent of a specific class, course, or other education/training program. Participants who demonstrate that they meet the standards by successfully completing the assessment process are granted the certification.

An assessment-based certificate program is a non-degree granting educational program that:
(a) provides instruction and training to aid participants in acquiring specific knowledge, skills, and/or competencies associated with intended learning outcomes.
(b) evaluates participants’ achievement of the intended learning outcomes.
(c) awards a certificate only to those participants who meet the performance, proficiency or passing standard for the assessment(s).

A certificate of attendance or participation is not the same as an assessment-based certificate.
A certificate of attendance/participation is provided to individuals (participants) who have attended or participated in classes, courses, or other education/training programs or events but did not have to demonstrate accomplishment of the intended learning outcomes.

Reference: Institute for Credentialing Excellence
Earning Your SFO

Submit SFO Application Online + Meet Eligibility Requirements + Pass Two Exams = SFO

(SFO stands for Certified Administrator of School Finance and Operations)
Gathering Information

- ASBO International SFO Certification webpage: www.aspointl.org/certification
Gathering Information

- Read the SFO Candidate Handbook
Certification Requirements

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<tbody>
<tr>
<td>• No education requirements</td>
<td>• Completed master’s degree + 2 years work experience as an SBO OR</td>
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<tr>
<td>• No experience requirements</td>
<td>• Completed bachelor’s degree + 3 years work experience an SBO OR</td>
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<td></td>
<td>• Seasoned practitioner (7+ years employment as an SBO, based upon approval)</td>
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<td>• 70 multiple-choice questions, 120 minutes</td>
<td>• 100 multiple-choice questions, 150 minutes</td>
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<td>• Computer-based exam in English only</td>
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# Certification Fees

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<tr>
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<tr>
<td>SFO Application</td>
<td>$150</td>
<td>$225</td>
</tr>
<tr>
<td>Exam 1: Accounting</td>
<td>$195</td>
<td>$195</td>
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<tr>
<td>Exam 2: School Business Management</td>
<td>$295</td>
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</tr>
<tr>
<td>Annual Renewal Application</td>
<td>$125</td>
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Application Process

• Create a profile: www.asbointl.org/sfoprofile
• Click on the “First Time User?” link
Application Process

Terms of Use

Candidate ID Agreement

Welcome to ASBO International and the ASBO International suite of certification programs.

As a first time user of this website, we want to inform you of the steps required to set up an account and to emphasize the importance of keeping your contact information current.

After reviewing and agreeing to these terms, depending upon which link you click, you will eventually be taken to the "New Registration - Candidate Record" page to begin the account creation process by filling in personal information such as email address, employer and Partner Company (if this field is pre-filled be sure to verify if it is correct, if not simply change it to the correct partner company) and all the required fields or to the "Edit Personal Information" page to add or verify the Partner Company and complete all the required fields.

New users to the system will be issued a candidate ID and directed to complete the account activation process.

Be sure to keep all of your contact information current through the "Update Personal Info" link in order to ensure we can contact you as necessary (i.e. important emails, certification achievement news).

Click on one of the following three links:

- I agree to these terms and want to register
- I agree to these terms and have a Score Report
- I agree to these terms and have a candidate ID and Username

If you do not agree to these terms, simply close out or leave this browser page.
Application Process

• Fill out personal information and required fields. Make sure your name matches the name that is found on your government-issued ID.

• You **will not** be allowed to enter the testing room if your full first, middle, and last names do not match exactly to your government-issued ID.
Application Process
Application Process

Program Forms

- SFO Eligibility Application
- Exam Registration Forms
- Test Modification Forms
Scheduling & Taking the Exam

- Eligibility email
  - Read the instructions in this email carefully.
  - Check your junk/spam folder if you do not receive the email within 24 hours

- Pearson VUE testing centers in the U.S. & Canada
  - Find a testing center near you: http://www.pearsonvue.com/pti/locate/

- Directly schedule your exam(s) with Pearson VUE
After the Exam

- Official certificate and lapel pin
- Recognition from your peers and employer
- Press release sent to superintendent, school board, and local press
- Use SFO® after your name
- SFO Public Registry at www.asbointl.org/sfosearch
Renewal & Recertification

- Don’t lose the certification you have worked so hard to earn!

**RENEWAL**
- SUBMIT ANNUAL RENEWAL APPLICATION & FEE

**RECERTIFICATION**
- EARN 45 SFO CONTACT HOURS EVERY 3 YEARS
Maintaining Your SFO Credentials

• **Annual Renewal**

To renew your certification, submit an annual renewal application, sign the Certification Code of Conduct, and pay a renewal fee of $125.

• **Recertification**

Your certification is valid for three years, at which time you must apply for recertification. There are no fees associated with recertification.

The recertification requirements are to obtain and maintain documentation of 45 contact hours over the three-year recertification cycle (one contact hour equals 50 minutes of content.)
Resources

• SFO Certification Webpage
  • www.aspointl.org/certification
  • SFO Candidate Handbook

• SFO Credential Management System
  • www.aspointl.org/sfoprofile

• SFO Study Resources
  • www.aspointl.org/sforesources
  • Authoritative References List
  • Guide to Studying for the Examinations
  • Practice questions for Exam Part 1: Accounting
  • Practice questions for Exam Part 2: School Business Management

• SFO Study groups
  • Through an affiliate
  • ASBO International Annual Meeting & Expo
Spread the Word

- Attend the ASBO International Annual Meeting & Expo
  - Special SFO events for certificants

- Use social media
  - Join the conversation with your peers on LinkedIn
  - Share your experience, knowledge, and advice
  - Ask questions

- Volunteer
  - Influence, motivate, inspire
Contact Certification

Call us! 866.682.2729 (toll free for U.S.)

Email us! certification@asbointl.org

Visit us! www.asbointl.org/certification
Skills Refresher for ASBO International’s SFO® Certification Exam
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SFO® Exam Content

Part 1
- Management of Accounting Systems
- Management of Accounting Functions

Part 2
- Financial Planning and Analysis
- Budgeting and Reporting Activities
- Risk Management Activities
- Management of School Facilities
- Management of Information Systems
- Management of Human Resource Functions
- Management of Ancillary Services
What is an Accounting System?

Def. - A series of steps, either manual or automated, that records the transactions of a business, and provides the information for financial reports.
Typical Accounting Flow

• Journalize the accounting transaction in special or general journal
• Post the transaction from the journal to a subsidiary ledger
• Post the total from the journal to the General Ledger (usually journals close into ledger at month end)
• Summarize the business events by preparing a trial balance
Automated Systems

3 steps:

- Record Transaction
- Update Master Data
- Generate reports (and support queries)

Password control is essential
Financial Definitions

- **Trial Balance** – list of all the general ledger accounts and their balances. The purpose of a trial balance is to prove that the value of all the debit balances equal the total of all the credit balances.

- **Balance Sheet** – reports assets, liabilities, and equity

- **Income Statement** – reports revenues and expenses during an accounting period
Basis of Accounting

• **Cash Basis** – revenues are recorded when cash is received, and expenses are recorded when cash is paid

• **Accrual Basis** – revenues are recognized when earned and expenses are recognized when a liability is incurred
Due to/Due from

• Balance monthly
• Examples:
  • Internal services funds
  • Field trip costs
  • Other interfund transfers
  • State aid “settle up”
Online Communications Technology

Communication networks range from those designed to link a few computers, to the internet which links most of the world’s computers together.
Online Communications Technology

**LAN** (Local-area network): links several different local user machines with printers, databases, and shared devices

**WAN** (Wide-area network): links distributed users and local networks into an integrated communications network

**Web browsers**: software designed to allow users to easily view various documents and data sources available on the Internet
Online Communications Technology

**Intranet:** mini internal equivalent to the Internet, links an organization’s internal documents and databases that are accessible via Web browsers or internally developed software

**Extranet:** expanding access to a company’s intranet to external, trusted partners
Documentation – Internal Controls

• **Sarbanes-Oxley Act of 2002** requires that organizations document internal controls over their financial reporting processes.

• This documentation helps the organization know the flow of transactions through the accounting system, helps identify which areas have implemented internal controls, and can identify areas of control gaps that need to be addressed.
Documentation

• Written procedures

• Flowcharts:

  *Data flow diagrams*, which portray business process activities, storage of data, and flows of data

  *Systems flowcharts* present a comprehensive picture of the management operations, information systems, and process controls present in the business processes
Fraud

Three factors are generally necessary for fraud to occur:

1. Pressure (motivation)
2. Opportunity
3. Rationalization

Often referred to as the “fraud triangle”
Fraud

• Understand what can happen – common fraud schemes

• Identify red flags to look for

• Test for the red-flag type activities
Fraud Prevention

- Especially in periods of tight money, it is important to maintain absolute integrity
- Develop and promote a district-wide culture of honesty (tone at the top)
- Dual controls—minimum of two people involved in all aspects of monetary responsibilities
- Sign offs and cross checks
- Secure passwords
- Fraud reporting process in place—internal employee, external customer tips, fraud hot line, etc.
Fraud Prevention

- External audit not designed to disclose
- Internal audit function
- Metrics to indicate anomalies
- Exception reports
- Override authority/ sharing passwords
- Multiple employees with same deposit account
Q & A Time!
Quiz Time!

What is an important consideration when developing a data recovery backup plan?

A. The backup information will be securely stored on a separate server in the same location with the capability to run the software.

B. The backup information will be securely stored in an offsite location with the capability to run the software at an alternate location.

C. The backup information will be securely stored and accessible only to individuals who have the technical knowledge to run the software.

D. The backup information will be securely stored and accessible to a third-party vendor who has the technical knowledge to run the software.
Answer

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Quiz Time!

What information does the Management's Discussion and Analysis (MD&A) provide?

A. A statement that compares current-year revenues received with expenditures for the same time period on a fund-by-fund basis
B. A management report including all financial transactions on an accrual basis accounting
C. A narrative introduction and overview to the annual financial statements prepared by school district personnel
D. An opinion of the auditor as to the viability of the school district
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Quiz Time!

In an organization with no central purchasing function, who should be responsible for general ledger coding of purchase requisitions?

A. The individual who is responsible for paying the invoice
B. The individual who is responsible for receiving the merchandise
C. The individual responsible for managing the specific budget being accessed
D. The individual consuming the merchandise
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Quiz Time!

What accounts appear on a balance sheet?
A. Income, assets, and liabilities
B. Assets, liabilities, and equity
C. Income, expenses, and equity
D. Assets, expenses, and equity
Answer

What accounts appear on a balance sheet?
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B. Assets, liabilities, and equity
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Management of Accounting Functions

Ann C. Williams, Ed.D., SFO
Assistant Superintendent of Business/Chief School Business Official
Crete-Monee Community School District 201-U, Crete, IL
Manage Payroll Functions

• The greatest portion of the price of education is concentrated in the form of personnel

• Education is labor intensive

• Personnel costs make up 80-90% of most school budgets
Personnel Costs

• Personnel costs are the single most expensive (and most important) item in school budgets.

• After estimating enrollment and envisioning programs, costing out salaries is the next most important task in successfully balancing revenues and expenditures.

• A demographer may be needed to assist with studying the population and student growth of your district.
Determining Staffing Needs

• Enrollment drives staffing

• Ability to properly determine staffing needs is a function of organizing and using information about the district and its current and prospective staff

• Projections indicating a need for new staff require budget input
Determining Staffing Needs

• Hiring decisions must be coordinated with the budget office, which must find money for salaries

• Must determine if budget constraints will allow for additional staff to be hired

• If so, consider whether the district should hire beginning teachers or whether it can afford more experienced staff
Data Input

• As the hiring decisions are made, and the staff member’s payroll information is processed, it is critical that data be correctly entered into the payroll system.

• There are many items pertaining to compensation that must be accurately keyed into the system, for a person’s pay and benefits to be correct.
Compensation

• Employee compensation includes negotiated benefits such as teacher’s retirement, defined contribution plans and various kinds of insurance

• Compensation also includes employer costs for workers’ compensation coverage, unemployment insurance, and social security
Pay Tables And Deduction Codes

• One of the most critical functions of the payroll office is to ensure that pay tables and deduction codes are set up and the percentages entered correctly into the payroll software.

• It doesn’t matter if you’ve entered the staff person’s correct pay step into the computer.

• If the pay step amount is not correct in the computer, underpays or overpays will occur.
Benefits/Other Compensation

• Leave balances available to employees are handled either by regular accruals, or by days given on an annual basis or some other benchmark in the employment process.

• A system must be in place for all leave requests so proper reduction of leave balances occurs, or pay docks are processed, if no leave is available.
Checks and Balances

• Payroll oversight entails making sure that the amounts paid are correct, and that the benefit calculations are accurately figured.

• Deduction registers should be scrutinized for reasonableness.

• Random sampling should be performed to check % calculations.
Salary Payment Options

• There are many different categories of employees that work in a school system, and often their start dates and contract days vary.

• Many districts require 10 month employees receive their annualized pay over 12 months, to handle monthly insurance premiums or annuity deductions that continue on a year-round basis.
Salary Payment Options

• Summer checks run in June (July and August checks that are for salaries to be charged in current fiscal year) will have taxes, retirement payments and other deductions withheld.

• Payment of these deductions require close supervision to ensure paid in the right month and paid by certain deadlines.
Manage Accounts Receivable

• The purpose of Accounts Receivable is to track revenues that are not yet received by the District.

• Procedures should be set in place to accumulate, categorize, report and control revenues due the district.
Manage Accounts Receivable

• Procedures and practices should remain the same across time and reports.

• If differences occur, they should be due to substantive differences in the events and conditions reported rather than because of arbitrary accruals.
Manage Accounts Receivable

• The Accounts Receivable function can provide a method for accruing revenues earned for a certain period, for consistency and comparative analysis to that same period the year before.
Manage Purchasing Process

• Accountability for public money is backbone of purchasing

• Procedures must be in place that focus on getting the best bang for the buck with taxpayer funds

• As long as procedures are outlined and followed, then substantiation for purchasing decisions will be in place
How Districts Procure Goods and Services

• The District obtains quotes, at the appropriate dollar threshold, on items to be purchased and then creates purchase orders to award the contracts based on Board of Education approval.

• Requisition system - used to acquire goods/services by purchase order and verify budget authority.

• Purchase order – legal authority to spend.

• Contracts - to delineate specific terms.

• Districts should purchase from responsible business entities.
Purchasing Process

Bidding

- Public notice normally 10 to 20 days before
- All bids must be sealed
- All bids must be opened during a public bid opening where the contents are announced
- Bids should be awarded to the lowest responsible bidder who conforms in all material aspects to the requirements and criteria set in the invitation to bid

Request for Proposals - often used for services
Options for Purchasing

• Quotes from vendors
• State Contract pricing
• National Purchasing cooperatives
  - US Communities
  - NJPA (National Joint Powers Alliance)

allow participating governmental and municipal agencies to reduce the cost of purchased goods by leveraging their combined purchasing power.
Q & A Time!
Quiz Time!

What information is required to process an accounts payable invoice for payment?

A. Verified budget authority for item, accuracy of price, items received, and correct account code
B. Accuracy with purchase order price, amount ordered, and correct account code
C. Verified receipt of goods, price charged, and correct account code
D. Authorization to pay, goods received, accurate pricing, and correct account code
Answer

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D. Authorization to pay, goods received, accurate pricing, and correct account code
Quiz Time!

What procedure should be in place for collection of unpaid accounts?

A. Prepare an aging list by customer and send letters, email, or call regarding collection on past due accounts
B. Immediately refuse any future services until the bill is paid
C. Prepare an aging list by customer and publish it in the local newspaper
D. Keep the invoices on the books and wait for payment
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Quiz Time!

To assure proper internal controls when processing timesheets for payment, what information is needed in addition to time worked and rate of pay?

A. Budget authority, amount approved, and employee signature
B. Account code, description of work completed, and employee signature
C. Supervisor approval, employee signature, and account code
D. Budget authority, source of funds, and account code
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Quiz Time!

Request for Proposals (RFP) must include which of the following items?

A. Payment terms
B. Project budget
C. Proposal due date
D. Manufacturer and brand
Answer

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B. Project budget
C. Proposal due date
D. Manufacturer and brand
Management of Accounting Functions

• Manage Annual Budgets
• Prepare Financial Reports
• Manage Cash Flow
• Managing Activity Accounts
• GASB
Know Your Funds

• Governmental Funds
  - General Fund
  - Special Revenue Fund
  - Capital Projects Fund
  - Debt Service Fund

• Proprietary Funds
  - Enterprise Fund
  - Internal Service Fund
Know Your Funds

Fiduciary Funds

- Pension Fund
- Investment Fund
- Private Purpose Fund
- Agency Fund
Manage Budgets

What is a budget?

An educational plan that....

- Satisfies requirements of state, local and federal governments
- Provides both expending and taxing authority
- Estimate of revenues and expenditures
- Provides a tool to measure fiscal performance
- Attempts to accomplish the financial goals of the Board of Education and its stakeholders
- It’s an estimate.
Manage Budgets

Philosophies

Business as usual
Student Based
Zero Based
Site Based
Program Based
Incremental
Combination of the above
Manage Budgets

Begin with assumptions

- State and federal government budget projections
- Tax cap, if applicable
- Contractual obligations (collective bargaining agreements, vendor contracts, etc.)
- Programmatic changes
- Staffing changes
- Non-routine expenditures (e.g., textbooks, uniforms)
- Technology needs
- Capital projects/expenditures
Manage Budgets

Budget revenue

- Local
- State
- Federal
  - Difficult to forecast and budget
  - Review historical trends
  - Know the program or population being served
  - Federal Grants are potentially difficult to budget because of the timing of approvals
Manage Budgets

Budget expenses

Review assumptions on key budget drivers, make additional assumptions and collect other expense related information, including:

- **Current and projected enrollment**
  - Trend analysis
  - Cohort survival

- **Current and projected number of employees**

- **Status of negotiations**

- **Current fiscal year – year to date results**

- **Limitations imposed by revenue projections**
Manage Budgets

Budget expenses

• Salaries
• Benefits
• Purchased Services
• Supplies & Materials
• Capital Outlay
• Other Objects
• Out of district tuition (e.g., special ed)
Manage Budgets

Estimating expenditures

- Identify programs and functions
- Determine types and quantities of resources needed
- Estimate costs of each program or function
- Consider the teacher contract
  - How much schedule movement can you anticipate?
  - Is there a new Master’s program in town?
Manage Budgets

Continuum for budget reduction

• Obtain reduced prices for services
• Defer spending
• Make across the board cuts
• Eliminate “non-essential” services
• Reduce instructional positions and programs
Manage Budgets

Reductions through improved efficiencies

• Energy conservation
• Risk management
• Purchasing
• Privatization
• Training for operations/support staff
• Use of more efficient equipment
• Early retirement plans
• Lower salary increases
• Lower cash carryover (working cash)
Manage Budgets

Budgeting Adjustments

- Budget reductions due to program reductions
  
  • Reduce instruction staff
  
  • Reduce course offerings
  
  • Reduce support staff
  
  • Reduce non essential services
Manage Budgets

Reductions are inevitable, but how can we increase revenues to avoid cuts?

**Charge for services provided**

- Facility use by others (pool, auditorium, etc.)
- Parking

**Charge for non academic services**

- Transportation (if not mandated)
- Private sector support
- Volunteers
Manage Budgets

The budget is “done”, the year is almost over, what now?

- Compare budget to actuals
  • Are actual expenditures within the budgeted amount?
  • How much is left to spend?

- Look at encumbrances
Preparing Financial Reports

• Accountability
• Transparency
• Environment of trust
• Reporting is dependant on the needs of the stakeholders
• How do you present your budget?
  - PowerPoint presentation?
  - Executive Summary?
  - Detailed spreadsheet?
Preparing Financial Reports

• Consider the Budget at a Glance reporting

• Consider Performance reporting at various levels
  - School and Department Level budgets
  - Be considered for national budget awards
    - ASBO, GFOA
    - Set the professional standard for your school district
Managing Cash Flow

- Determine cash on hand requirements
- Cash on Hand Liquidity Test = projected estimate of the number of days a district could meet operating expenditures provided no additional revenues were received.
- Review historical cash flow patterns
- Evaluate anticipated changes in patterns (recession)
- Establish Board policy
- Create plan to build fund balances over time
Managing Cash Flow

Cash vs. Accrual

- **Cash**
  • Recognizes revenue when received
  • Recognizes expenses when paid

- **Accrual**
  • Recognizes revenue before it is received
  • Recognizes expenses when they are incurred

- **Modified accrual**
  • Recognizes revenue when it becomes available and measurable and, with a few exceptions, recognizes expenditures when liabilities are incurred.

Which method is better for your district? Why?
Student Activity Accounts

• **Activity account**
  - ONLY benefit students
  - Owned, operated, and managed by organizations within the student body under the guidance of a faculty member

• **Convenience account**
  - For faculty, staff, parent organizations, or similar non-student groups
  - Maintained by the district
Student Activity Accounts

School Board responsibilities

• Approve the establishment and purpose of each activity fund
• Set policy for student participation and adult supervision of funds
• Appoint a treasurer to oversee funds
• Ensure appropriate recordkeeping

Treasurer responsibilities

• Consistent with district funds
GASB - Governmental Accounting Standards Board

GASB 54 Fund Balance Reporting and Governmental Fund Type Definitions

• Clarifies fund types (general, special revenue, debt service, capital projects) and their use

• Revises how balances are reported
  - Non-spendable fund balance
  - Restricted fund balance
  - Committed fund balance
  - Assigned fund balance
  - Unassigned fund balance
GASB - Governmental Accounting Standards Board

GASB 67 Financial Reporting for Pension Plans

GASB 68 Accounting and Financial Reporting for Pensions – for cities, counties, and state

- Some say the biggest thing since GASB 34!
- Accounting for Cost-Sharing Plans (n/a for single employer)
- Placing the Net Pension liability on the Balance Sheet
Find out more about GASB at …

http://www.gasb.org/st/summary/gstsm54.html
Q & A Time!
Quiz Time!

What factors should be considered in managing the budget for the year?

A. Compare current year's revenues and expenditures to a 10-year average for consistency
B. Compare estimated revenues and expenditures to projected actual revenue and expenditures for the year
C. Compare current year's revenues and expenditures to last year’s to determine if the budget is on track
D. Compare current year's budget to other school district budgets in the state [province] to check for consistency
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Quiz Time!

What is an example of a "proprietary fund"?
A. A trust fund
B. A general fund
C. A capital projects fund
D. An enterprise fund
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Quiz Time!

What activities affect cash flow?
A. Investing and timing of receipts
B. Budgeting and timing of receipts
C. Depreciation of assets and investing
D. Financing and depreciation of assets
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Quiz Time!

What information should be provided in a financial report so the governing body can determine the local education agency's financial position?

A. A comparison of budget to actual revenues and expenditures and fund balance
B. A comparison of current year budget to prior year budget
C. A comparison of expenditures that have been approved by the school board
D. A comprehensive comparison of revenues and expenditures for the current year
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Financial Planning and Analysis

Marvin Dereef, Jr., MAFM, SFO
Deputy Chief Financial Officer, Fulton County Schools, Atlanta, GA
Serve as School Leader

• Represent the district on financial matters
• Community
• Budget
• “Data-driven” analytical resource
• Legislature
• Bond ratings
Some Questions to Ponder

• What does it cost us to reduce by one child per elementary/middle/high school? What is your overall teacher-pupil ratio? How does it compare to similar districts?

• How do your function costs compare to other similar/state/provincial districts?

• How do your budget expenditures tie to the organization’s stated mission?
Leadership

• “You are a fund balance manager”

• Awareness of financial trends in your state, province, or region

• Long term planning- multi-year projections

• What are the demographic trends being seen in your district, and what are the cost implications?
Legislation

- How often does the governing legislature meet?

- Is your state/province financial system stable or constantly being changed? What data resources are available to you?
Telling Your Story

• Be ready with talking points at all times: necessary for community and elected representatives

• Be ready to provide cost data, as legislators may call on you for immediate answers when they are deliberating new laws/requirements

• Demographic trends
Financial Impact of Strategic Planning Goals

• Know ahead of time what a program is likely to cost: have key metrics

• Involves working closely with program developers, particularly Curriculum

• An example:

  • Science scores need to improve

  • Pilot run, funded at $120,000 to provide regular rotation of science kits by grade level
Example of Budget Costs for Strategic Objective: Improve Science Scores

• Added Science materials Center Manager

• Purchased building

• Purchased initial start up supplies for kits, expanded each year

• Courier cost was absorbed in current mail delivery model

• Science scores show great improvement at all levels
Sample Goal: Want Latest Technology for Students

• Operational definition: “Latest” (Best? Newest?)

• TCO: Total cost of ownership (CoSN model)

• What are the direct costs of the goal? (Teacher training? Other staff to support the equipment? R and D to identify the proper technologies, space - small classrooms?, computers and peripherals, supplies - more printing - e.g., paper, toner, training, energy, opportunity cost)—What else are we giving up?

• Capital refreshment cycle

• Bring Your Own Technology (BYOT)
Develop Financial Goals

- Operating cost per student
- Cost of teacher starting salaries to be highest in region
- Fund balance policy, if not prescribed by law
- Cost of support (metrics: cost per square foot to maintain, clean, landscape)
- Long-term strategies: 10 year facilities plan
Other Financial Goals

- Tax Rate Control?
- Long-term replacement plans (buses, copiers, technology refreshment, musical instruments)
- Construction of facilities: green initiatives (LEED)
- Staff Development
- Can you point to resources in the budget that demonstrate commitment to strategic goals?
Evaluate Funding Options for Debt Management

• Typically, highly regulated…you need an attorney and a financial advisor

• Bond programs require a long-term strategy

• Including community involvement, education, identification of essential projects, recognition of failing existing building systems (roofs, HVAC, e.g.), Informational materials for the general community, tax election

• Lease vs. Buy (consider state aid funding mechanisms)
Funding Options for Debt Management

The following are various forms of securities, which may not be legal in your state or province:

- General Obligation Bonds
- CIBs (Current Interest Bonds)
- CABs (Capital Appreciation bonds)
- RANs and TANs (Revenue and Tax Anticipation Notes—not for raising capital, only for cash management)

- Leasing (may or may not be legal in your state/province)
- Budget Notes, Public Property Finance Contractual Obligations (PPFCOs), Lease Revenue Obligations (public facility corporation is created which issues)
- Time Warrants
- Maintenance Notes, Delinquent Tax Notes, Stadium Revenue Notes, Refunding Bonds
Lease vs. Buy

• Calculate the total cost of ownership
• Calculate the cost of leasing
• Which is a better economic value?
• Which poses more risk? (for example, if you lease, what happens if your budget cannot sustain?)
• NON-APPROPRIATIONS clauses-include in all contracts
Contract Management as Financial Tool

• Central review of all documents which bind the district

• Be sure that someone does not “lease” what is actually a lease-purchase capital acquisition if your state does not permit such acquisitions
Develop Outside Funding Sources

• Financial advisor

• Grants- cost/benefit analysis (monitor cash request submissions)

• Donors

• Foundations (MOUs)

• Fund raising (internal controls)

• Wise investments
Economic Factors

• Slower housing may lead to slower growth in enrollment (or not! More nuclear families in one domicile)

• Unemployment may key slower tax collections (what are you using for collection rate?)
Analyze Demographic Data

• What is your cohort survival at each grade level?

• Are your lower grades more populous than your higher grades?

• What is your free/reduced percentage over time?

• Are you enrolling more harder-to-educate youngsters? What impact will that have on your costs? On your general programs?
Analyze Demographic Data

• Housing: any new starts? Foreclosures?

• From city planning departments: Plat approvals

• Inventory of homes: size in square feet, number of bedrooms, starter vs. move-up

• Apartments

• “Recycling” of neighborhoods (children grow up, house sells, new family with new children)
Develop Multi-year Forecast

• Use Excel as an easy tool for this

• Identify major budget drivers: enrollment, property value, income (if part of the state aid equation)

• Identify major budget costs:
  • Personnel (staffing ratios), Operating metrics (cost per square foot or student or ‘x’)
  • Other: energy, support costs, equipment refreshment
Multi-year Forecasting

• Important to understand how various components affect your state aid calculations

• Look at least three years ahead on your debt rate, do you need to smooth it out?

• If operating rate is concern, look at combination of both tax rates (debt and operating), consider timed application of fund balance, if available
Tax Collections

- Know the local tax office officials
- Have there been any property value appraisal studies?
- Based on longitudinal data, estimate tax collections. Consider last three years, last five, last ten. If the economy is changing, shorten the comparison years.
Q & A Time!
Quiz Time!

New construction, personal income, and retail sales are indicators in which kind of forecast?

A. Economic
B. Enrollment
C. Educational programming
D. Environmental impact
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Which is the leading indicator of the financial health of a school district?

A. Property tax levy
B. Property tax valuations within the local district
C. Undesignated fund balance
D. Total assets
Answer

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What is the best way to find an advisor for financing a capital improvement program?
A. Through a Request for Proposal (RFP) process
B. Request that the architect recommend a financial advisor
C. Through referrals from the school board
D. Request that the local bank recommend a financial advisor
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Why are long-term forecasts generally less accurate than short-term forecasts?

A. Because the assumptions used in the long-term projections do not average out over time
B. Because long-term forecasts are less dependent on variables
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