

Budget and Net Position Internal Reporting Campus Procedure

Effective July 1, 2014

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Reviewed and Approved
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I. Overview

This procedure accompanies the Boulder campus policy for Budget and Net Position Internal Reporting.

There are four types of annual reports required by the University of Colorado Administrative Policy Statement (APS) 4058, "Budget and Net Position Internal Reporting":

- Unrestricted net position for all funds
- Carry-forward in the General and Auxiliary Funds
- CU-Boulder current funds budget versus actual
- CU-Boulder General Fund revenue variance

II Net Position

Net Position (formerly net assets or fund balance) is classified into restricted and unrestricted net position consistent with governmental accounting standards and guidance.

Definitions

Restricted net position is defined as resources that are restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the campus upper management cannot unilaterally alter.

Unrestricted net position is defined as those resources that have no externally imposed restrictions on use. These assets must be classified as unrestricted under generally accepted accounting principles. However, unrestricted net position may have internal restrictions/commitments, such as capital projects, academic and research initiatives, financial aid, and other University business.

Categories of Restricted Net Position

Restricted net position has no subcategories like those used for unrestricted net position.

Categories of Unrestricted Net Position

Unrestricted net position is categorized as either obligated or unobligated based on multiple criteria. The following are the unrestricted net position categories available for campus use.

Obligated Funds – Obligated funds are those that are formally committed to specific projects or held for contractual payments (such as faculty start-up). The following categories are approved designations of obligated funds.

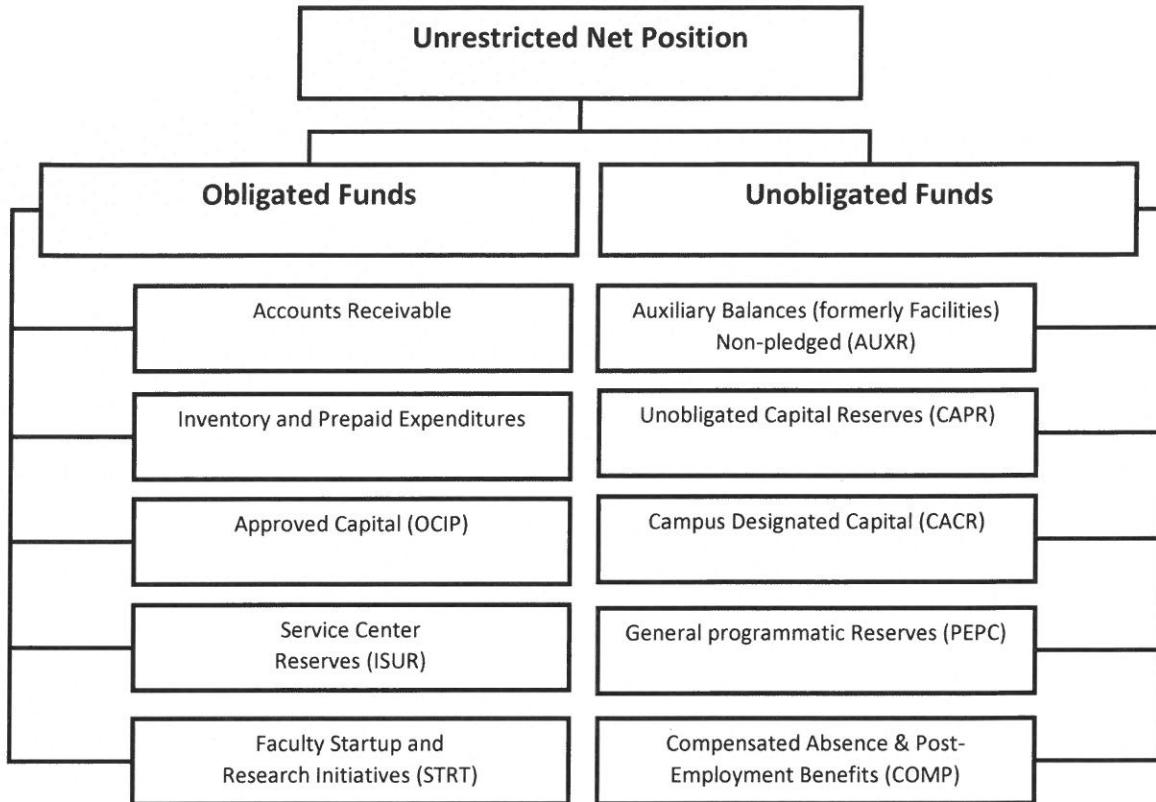
1. **Accounts Receivable (account codes 010000-019999)**
Accounts receivable are non-cash assets recorded in the finance system. These generally exclude restricted grant funds. Student receivables make up the majority of the balance.
2. **Inventory and Prepaid Expenditures (account codes 040000-049999 and 070000-070299)**
Inventory and prepayment are non-cash assets recorded in the finance system, per accounting standards.
3. **Approved Capital - OCIP**
Assets obligated for currently approved construction projects, facilities initiatives, and debt service reserve requirements (including internal loans). Includes Regent-approved projects over \$2,000,000, and campus-approved projects under \$2,000,000.
4. **Service Center Reserves - ISUR**
Assets generated by service centers are obligated for equipment and facilities replacement per federal cost accounting standards for use by the service center.
5. **Faculty Startup and Research Initiatives - STRT**
These funds are obligated for faculty start-up, research, cost sharing, bridge funding, and financial aid obligations.

Unobligated Funds – Unobligated funds are generally available for campus support of schools, colleges, departments, or units. These funds are generated by nonrecurring revenue surpluses (such as the departmental share of unspent indirect cost recoveries) or year-end balances resulting from lower than expected spending levels (such as vacancy savings from an unfilled position). Campus leadership holds these funds in general categories based on internal policy or intended use. Their designation may change in accordance with directives from leadership, including Regent directives.

1. **Auxiliary Balances (formerly "Facilities") Nonpledged - AUXR**
Assets held by auxiliary programs. Revenues are not pledged to specific projects. Continuing education reserves and insurance activities are included in this group.
2. **Unobligated Capital Reserves - CAPR**
Assets held by departments for capital activities that have not been identified with specific projects or on the campus master plan, but are intended for general campus needs including renewal and replacement.
3. **Campus Designated Capital – CACR**
Funds designated for future specific capital projects and facilities initiatives that will be submitted for campus or Regent approval (depending on project size). This includes projects on the campus master plan, controlled maintenance, and health/life/safety expenditures.
4. **General Programmatic Reserves - PEPC**
General departmental reserves for campus support. Category includes reductions for restricted net position deficits, which are claims on department resources.
5. **Compensated Absence & Post-Employment Benefits - COMP**
Liabilities for compensated absences (vacation and sick leave) and post-employment benefits (excluding pensions).

Unrestricted Net Position Reference Chart:

University of Colorado Boulder



Values for Designation of Unrestricted Net Position														
D = Default for Fund X = Permissive for Fund Unrestricted Net Position Categories	Funds (1)													
	Codes	Current Funds										Non-current Funds		
		10	11	20	26	28	29	30	31	34	36	71	72	78
Obligated														
Accounts Receivable (account code) (2)														
Inventory and Prepaid Expenditures (account code) (3)														
Approved Capital - OCIP	OCIP		X	X							X	X	X	
Service Center Reserves - ISUR	ISUR		X			D								
Faculty Startup and Research Initiatives - STRT (4)	STRT	X			D		X					D		
Unobligated														
Auxiliary Balances (formerly "Facilities") Nonpledged - AUXR	AUXR			D	X		D						D	
Unobligated Capital Reserves - CAPR	CAPR				X						D	X	X	
Campus Designated Capital – CACR	CACR				X						X	X	X	
General Programmatic Reserves - PEPC	PEPC	D	D		X		X	X	X	X		D		D
Compensated Absence & Post-Employment Benefits - COMP	COMP													D

(1) Restricted activity that has a negative net position is reclassified as unrestricted per the unrestricted net position methodology.

(2) Accounts receivable includes account codes 010000-019999

(3) Inventory and prepaid includes account codes 040000-049999 and 070000-070299

(4) Level 4 B-nodes: B0017 VCR, B0164 VCAA, and B0167 VCAA Academic Units may default into "STRT," while the rest of campus defaults into "PEPC"

Excluded are restricted funds (50, 73, 74) and funds whose net position is zero (80 & 99)

Designation of Net Position

Accounting and Business Support (ABS) determines the classification of assets as restricted or unrestricted when a new speedtype is requested.

When a new speedtype is determined to be unrestricted, ABS decides, with input from the requesting unit, the proper unrestricted net position category according to the designation descriptions, chart, and fund type grid table above.

Bond issuance may impose restrictions on the use of revenues, causing a formerly unrestricted net position assignment to change to a restricted net position.

Changes to the unrestricted net position classification can be requested through ABS with supporting documents to justify the change.

Further inquiry on the net position categories can be directed to Accounting and Business Support.

III General Fund and Auxiliary Fund Carry-forwards

General Fund Carry-forwards

Definitions

The General Fund carry-forward, also known as the cash carry-forward or temporary roll-forward, is the budget balance available before encumbrances on June 30th. If current year expenditures are less than the budget, the carry-forward is positive and increases the overall budget for the new fiscal year on a temporary basis. If current year expenditures exceed the budget, the carry-forward is negative and decreases the overall budget for the new fiscal year on a temporary basis.

Threshold requirement

The General Fund carry-forward may not exceed 1.0% of the current year budget at level four of the financial org tree (<http://www.colorado.edu/abs/node/515/attachment/newest>). General Fund carry-forward in excess of 1.0% of the current year budget must be transferred to a plant fund.

Auxiliary Fund Carry-forwards

Definitions

Auxiliary Fund carry-forward is total revenues less total expenses plus net transfers on June 30th. If current year expenditures are less than revenues, the carry-forward is positive and results in a net position increase. If current year expenditures exceed revenues, the carry forward is negative and results in a net position decrease.

Threshold requirement

Auxiliary funds with a carry-forward, surplus or deficit, greater than \$1,000,000 at level five of the financial org tree (<http://www.colorado.edu/abs/node/515/attachment/newest>) must have a plan to address the surplus or deficit. Written plans approved by each unit's respective Vice Chancellor Office are due to the campus budget office by October 1st each year.

Cash Transfers Between Current Funds and Plant Funds

The General Fund is the primary place to conduct on-going or continuing business, while the Plant Fund balances, in general, represent one-time funds that may support on-going business. An illustrative example of this distinction is the difference between a checking account and savings account. The checking account's primary purpose is for regular daily operating transactions, such as paying salaries and making purchases. The savings account's primary purpose is to save funds for emergencies and future

purchases. For the campus, the General Fund is equivalent to the checking account, while the Plant Fund is the savings account.

Plant funds can also be savings used for future capital purchases. These purchases must be over \$5,000 per unit, have a life expectancy of more than one year, and be recorded in the account code range 810100-812499.

It is campus policy to transfer out surplus balances from the General Fund into the Plant Fund by fiscal year end according to the threshold above and hold these funds in the Plant Fund until the funds are to be expended.

The practice of using one General Fund speedtype to move a unit's entire surplus budget to the Plant Fund, thus causing a large deficit, and subsequently moving the funds back to the General Fund at the beginning of the new fiscal year is not allowed under this policy.

For further guidance on the use of cash transfers, contact Accounting and Business Support.

IV Reporting

1. Unrestricted Net Position for all funds

Campus unrestricted net position is determined using the fiscal year-end close balances. A funding plan identifying the intended uses of the funds must be developed and/or updated at a minimum during the 1st quarter of each fiscal year. Officers of the Boulder campus, defined as Deans and/or Vice Chancellors, are required to collect these funding plans from their departments and forward to the campus budget office by October 1st. Officers can establish specific guidance and procedures for their areas to comply with this reporting requirement.

The campus budget office compiles the final report and forwards the report to the Board of Regents by December 31st.

2. General Fund and Auxiliary Fund Carry-forwards

At fiscal year-end, the General Fund budget balance available must not exceed 1.0% of the current year budget before encumbrances at level four of the financial org tree. Surplus General Fund budget balance available in excess of 1.0% must be transferred to a plant fund.

Auxiliary funds with a carry-forward, surplus or deficit, greater than \$1,000,000 at level five of the financial org tree must have a plan to address the surplus or deficit. Written plans approved by each unit's respective Vice Chancellor Office are due to the campus budget office by October 1st each year.

Resource owners meeting the thresholds above must have a plan in place detailing the use of the funds or resolution of the deficits. These plans should include dollar amounts, descriptions, estimated dates of usage, and are to be approved by the unit's respective Dean and/or Vice Chancellor Office. These plans are due to the campus budget office by October 1st each year. The campus budget office compiles the final report and forwards to the Board of Regents prior to December 31st.

The financial org tree can be found at <http://www.colorado.edu/abs/node/515/attachment/newest>.

3. CU-Boulder current funds budget versus actual

The Boulder campus current funds budget is the annual operating budget approved by the Board of Regents, and includes the General, Auxiliary, and Restricted funds. Actual current funds activity is recorded in the finance system and reported in the campus financial statements.

Prior to December 31st annually, the campus budget office will prepare the current funds variance report for the previous fiscal year. No department reporting is required.

4. General Fund revenue variance

Prior to April 1st annually, the campus must submit information for a Board of Regent resolution if the General Fund revenues are expected to vary more than 1.5% from the original budget and the campus intends to use the additional revenues in the current fiscal year.

The campus budget office will prepare a report for a Board of Regent resolution to request authority to spend the additional revenues. No department reporting is required.

Reporting Time Table

Who	What	When	To
Campus Units	Unrestricted Net Position	October 1	Campus Budget Office
Campus Units	General Fund and Auxiliary Fund Carry-Forward	October 1	Campus Budget Office
Campus Budget Office	Current fund budget v. actual	December 31	Board of Regents
Campus Budget Office	General fund revenue variance	April 1	Board of Regents

V. Exceptions

1. Exceptions – Exceptions to or deviations from the policy or procedure must be approved by both the Provost and the Senior Vice Chancellor or delegate(s).
2. Each Dean and/or Vice Chancellor Office can establish more specific guidelines than this procedure in order to best comply with the requirements of the policy and procedure and to ensure the efficient and effective management of his or her area.