



## College Policy 5.05

### Annual Operating Budget Adjustments

## Part 1. Policy Statement

This policy governs the administration's authority to develop, approve, and make adjustments to the annual operating budget.

## Part 2. Development and Approval

### Subpart A. Development

1. An annual Operating Budget Plan schedule and planning framework will be distributed at the beginning of the process.
2. All initiatives, either by committees or the President's Cabinet itself, will be included in the development of a balanced budget.
3. The Budget Officer will participate in the annual budget preparation process.
4. The Budget Officer will prepare base budget forecasts according to instructions issued by the Chief Financial Officer. The base forecast will be provided to the President's Council prior to its completion.
5. The Budget Officer will also communicate with the President's Council regarding any special initiatives or other extraordinary spending contemplated by the College.
6. The Chief Financial Officer will ensure that the budgeting includes all funds, is participatory and is a consultive process.

### Subpart B. Approval

1. The Chief Financial Officer will prepare the overall college budget for presentation to the President's Council.
2. The presentation will include 1) historical spending/budget information at the object of expenditure level for all cost centers; 2) delineation of base vs. special initiatives proposed; and 3) any revenue or expenditure assumptions applied in the preparation of the budget.
3. The College President will approve the overall budget with any requested changes or modifications
4. Upon approval, the Finance division will "load the budget" into the accounting system at the cost center level.

Timeline: The budget process typically begins in February and concludes with Board approval in May/June for the fiscal year beginning July 1. President

Cabinet discussion would occur in April/May.

## Part 3. Monitoring, Reporting and Amending

### Subpart A. Monitoring and Reporting

1. The Budget Officer will be responsible for providing monthly reports concerning the expenditure and encumbrance activity for the current period.
2. The Budget Officer will provide monthly status reports to the President's Council. The status report will include information regarding 1) budget vs. actual activity in the three principle activity areas: compensation; professional/technical contracts; and all other general operating costs; 2) request for movement of budget authority from one area to another; 3) progress report on any special initiatives for which additional funds were appropriated; and 4) outlook for balance of fiscal year including forecast of budget savings or gaps based upon approved activities.
3. Copies of the monthly status report will be provided to all Council members.
4. A year-end budget report will be prepared. The report will include final budget vs. actual information and a brief narrative concerning initiatives. The report will be presented as an information item to various constituents on campus.

5. The Budget Officer will ensure that Minnesota Colleges & Universities will receive reports necessary for system office monitoring and other budgetary information.

## **Subpart B. Approving and Amending**

### **Unanticipated Revenues and other amendments to the original operating budgeting:**

During the course of the fiscal year, unanticipated revenues may become available, unexpected expenditures may be necessary, deviations may occur in estimated carry forward funds, or better information may become known which may require changes to the approved annual operating budget. The President or a designee may approve changes to the College operating budget. The following procedures will be followed to ensure accurate, fair and timely adjustments to the College's operating budget:

1. The Budget Officer will provide day to day budget administration based on signature and spending authority delegated by the Chief Financial Officer. The delegation of signature authority will indicate that the President's Council must approve all professional/technical contracts prior to award and execution.
2. The monthly status report will provide the mechanism for reporting adjustments to the President's Council.
3. Any change in the total funds authorized will follow the approval process for the original budget.
4. The only functional area authorized to make budget transfers is the budget office.
5. Change in the budget resource responsibility centers for the purpose of initiating new or expanding scope of either an academic program or a support service or for resolving operating deficits will require prior approval from the Chief Financial Officer. All other transfers will be allowed under the following circumstances:
  - Only transfers between non-personnel
  - Personnel needs to be done within personnel budgets (only object code 0099)
  - Must be within in the same resource responsibility (i.e. General Fund, Federal Grants).

Timeline: The designated Board staff will receive monthly activity reports from the Finance division. Quarterly reports will be prepared by the Board Staff and forwarded to the Executive committee at the November, February and May meetings. The final report for the fiscal year just completed will be presented at the September Board meeting.

### **Guidelines for the Accounting of Year-End Fund Balance and Board-Required Reserve**

These guidelines set forth the process to be used for the accounting of Board required reserves and year-end general operating fund balances for Minneapolis Community and Technical College

#### **Purpose:**

The purpose of these guidelines is to provide for consistent budgeting and reporting of year-end fund balances and carry-forward amounts. It also provides for consistent recording of the Board Required Reserve in MnSCU accounting, including any increases or decreases during the year.

#### **Definitions:**

The year-end general operating fund balance includes in the MnSCU accounting system ending balances in Fund 110 (General Operations), Fund 120 (Customized Training), Fund 830 (Repair and Replacement), and Fund 400 (State Grants). Within the state of Minnesota's accounting system (MAPS), the general operating funds are contained within GFS Fund 105.

The year-end fund balance is the remaining balance showing in MAPS at the close of the fiscal year and consists of the following four components:

- Reserved: balances which use is restricted by external parties. Some examples include faculty contract obligations, encumbrances, and dedicated appropriations.
- Designated for Programs: balances that have been designated by the institution for specific purposes. Some examples include capital expenditures, debt service, anticipated severance and retirement costs, specific departments, programs or activities.
- Designated for Reserve: balance designated for Board required reserve. The Board required reserve is part of an

institution's year-end fund balance, which is designated as a reserve and for which no use is presently planned.

- Undesignated: balances that are not restricted or designated

**Guidelines:**

At the close of each fiscal year, the Chief Financial Officer or designee is required to provide the Office of the Chancellor details as to their plans for the use of the year-end fund balance. The detail will include a description and dollar amount for the use. The Office of the Chancellor will categorize the uses in terms of reserved, designated, and undesignated in order to meet financial statement and Minnesota Department of Finance reporting requirements.

The year-end fund balance is a resource that must be budgeted in the next fiscal year within MnSCU accounting using object code 9805 (estimated balance forward in). The amount budgeted in MnSCU will match the MAPS year-end fund balance in GFS Fund 105.

The Board required reserve must be budgeted within MnSCU accounting in a separate cost center using activity code 030009. The portion of the year-end fund balance that is designated for the Board-required reserve should be attributed to object code 9805 (estimated balance forward in). Any new funds within the current fiscal year being attributed to the Board required reserve should be budgeted using a Current Budget Transaction involving object code 9803 (non-mandatory transfer in) and any reduction in the reserve as 7104 (non-mandatory transfer out). If there is a need to use a portion of the reserve during the year, expenditures should not be coded to the reserve cost center. Instead, the budget should be reduced within the reserve cost center and increased in the appropriate cost center.

Colleges and universities are responsible for the accurate accounting of the year-end fund balance and Board required reserve. The Office of the Chancellor will monitor this activity through normal budgetary reviews.

**Date of Adoption:** 12/27/2005

**Date of Implementation (if different from from adoption date):**

**Date of Last Review:** 12/27/2005

**Date and Subject of Revisions:**