

AGENCY ACCOUNTS BUDGETING



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AGENCY BUDGETS

- At most, an account will have two budgets:
 - Operating (991000)
 - Personnel (991120)
- Budgets are not broken down further
- Expenditure authority set at beginning of year (control amount)
- Budgets do NOT equal cash balance



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CASH BALANCE

- Cash balance is like a checking account – this is the cash you have on hand at any given time.
- Expenditures can be processed regardless of the cash balance – Assuming new revenues.
- Cash should be a positive amount on June 30th.

Current Cash Balance = Cash Balance rolled from prior fiscal year PLUS current year revenues MINUS current year expenditures

Note: Encumbrances are not subtracted



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BUDGETING AGENCY ACCOUNTS

- “Budget” is the spending authority
- Align opening budgets with expected expenses for the upcoming fiscal year. This avoids the need to make budget adjustments later.
- When projecting expenses, consider the anticipated end-of-year cash balance for the current fiscal year and the revenue expected in the coming fiscal year (budget year).



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OPENING BUDGET EXAMPLE

- Beginning Cash = \$2,000
- Projected Revenues = \$9,000
- Projected Expenses = \$10,000



Beginning Cash	Projected Revenues	Projected Expenses	Opening Budget
\$2,000	\$9,000	\$10,000	\$10,000

Ending Cash (projected):

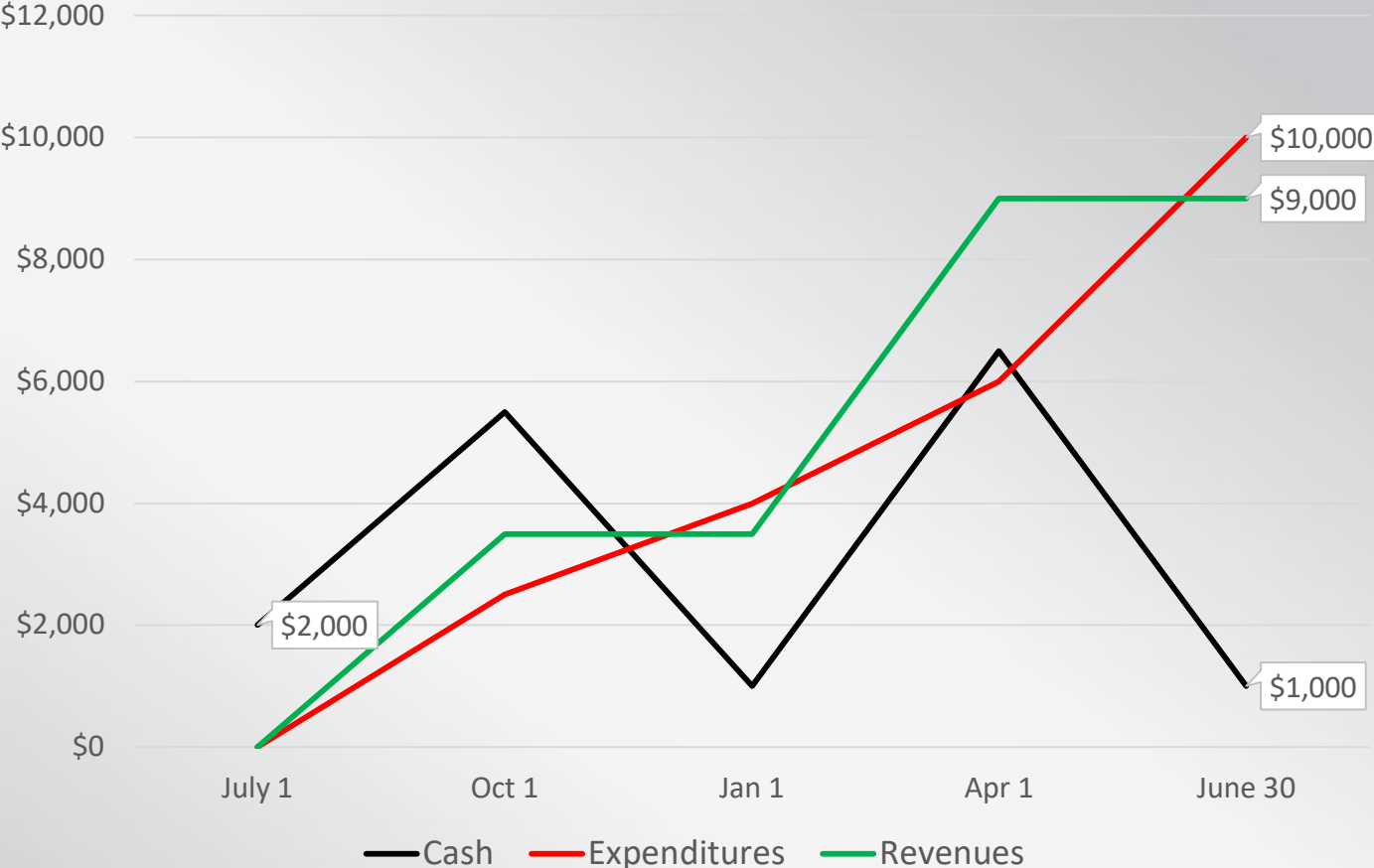
$\$2,000 + \$9,000 - \$10,000 = \$1,000$ ending cash (projected)



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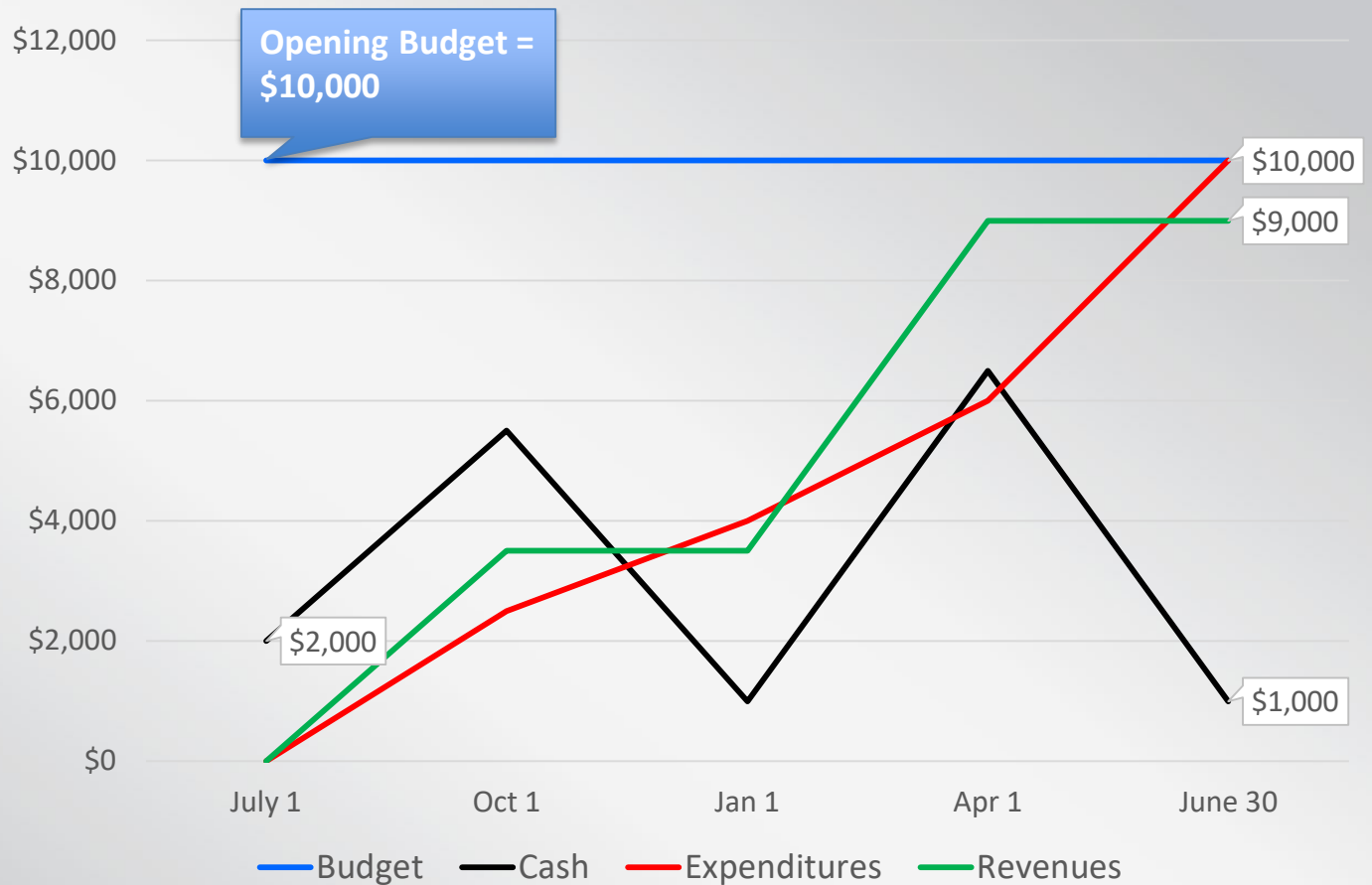
CASH VS. REVENUES/EXPENDITURES



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BUDGET VS CASH BALANCE



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AVAILABLE BUDGET

“Budget” is the spending authority or control – an expenditure cannot be processed unless it is less than the account’s available budget.

Available budget = opening (or adjusted) budget MINUS expenditures MINUS encumbrances

- If an agency budget NEEDS to be increased, contact the Budget Office:
(UniversityBudgetOffice@ilstu.edu)



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BUDGET VS. CASH BALANCE

Examples:

- Available Budget: \$1000
 - Cash balance: \$5000
 - Expenditure: \$3000 - Can I process this?
 - → No, can NOT process (budget/spending authority too low)
-
- Available Budget: \$8000
 - Cash balance: \$1000
 - Expenditure: \$2000 – Can I process this?
 - → Yes, CAN process (assuming future revenues)



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CASH BALANCES IN BUDGET CENTER

- When the fiscal year ends, there are two open fiscal years in Colleague. Cash balances haven't been rolled yet and your cash balance for the new fiscal year starts at zero.
- To determine your total cash balance with both fiscal years open, two reports must be run in Colleague – old FY and new FY.
- Once in the new FY, **Budget Center adds up both fiscal years and displays the current cash balance regardless** of how many years are open in Colleague.



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LAC GUIDELINES – EXCESS FUNDS

Each year the University (Comptrollers Office) is required by the Legislative Audit Commission to perform an “Excess Funds Test” as of June 30th. This test is required on an entity-by-entity (or fund-by-fund) basis.

The LAC University Guidelines state:

“All funds remaining in the accounting entities at the end of the fiscal year shall be paid into the Income Fund within 45 days of the close of the lapse period [October 15] except as follows: Each entity is allowed to retain a working capital allowance at the end of the fiscal year.”



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EXCESS FUNDS CALCULATION

Calculation performed at aggregate fund level.

Simplified Calculation:

Current Available Funds (*Cash*)

minus

Working Capital Allowance (*highest month's exp*)

Current Excess Funds

In actuality, it's a complex calculation of revenues, expenses, and encumbrances...



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PREVENTING EXCESS FUNDS

- As a general rule, Budget Officers should aim to carry over an unencumbered balance no larger than an amount equal to the account's highest month of expenditures from the previous fiscal year. (*ISU Policy 7.6.1*)
- Budget Officers and fiscal managers should monitor agency cash balances regularly to avoid any excess funds issues (or negative balances).



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FUTURE APPROACH TO AGENCY CASH BALANCES

- GOAL: Prevent excess funds AND prevent negative cash balances.
- Provide more monitoring and reporting to assist fiscal managers in decision-making.
- We're in this together!



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