POLICY & PROCEDURE DOCUMENT

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DIVISION: Finance & Administration

TITLE: Carry Forward of Year-End Funds Policy

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Authorized by: K. Ann Mead, VP for Finance & Administration

Policy for: Carry Forward of Year-End Funds
Procedure for: Carry Forward of Year-End Funds
Authorized by: WKU Administrative Council
Issued by: Budget Office

I. Purpose and Scope

The Carry Forward of Year-End Funds Policy is designed to accommodate greater empowerment at the appropriate organizational level and encourage thoughtful expenditure of nonrecurring funds. The policy provides additional fiscal flexibility and rewards good management by allocating year-end unrestricted Educational and General revenue and expenditure balances back to divisions generating the balances. The Carry Forward of Year-End Funds Policy will ensure that the central budget will not finish in a deficit due to tuition shortfalls or inadequate funding for unavoidable expenses. This policy applies to all Educational and General, including revenue-generating programs, funds, but it does not include Auxiliary Enterprises or restricted Educational and General indexes.

II. Policy

For purposes of this policy, a unit is defined as an individual expenditure index within the financial reporting system. There are ten divisions in the university which include the following: Provost and Academic Affairs, Athletics, Chief Facilities Officer, General Counsel, Development and Alumni Relations, Finance and Administration, Chief Information Technology Officer, Presidential, Public Affairs, and Student Affairs.
1. The following policy applies to the treatment of year-end balances for unrestricted Educational and General expenditure indexes.

a. In the event that the University finishes a fiscal year with a deficit due to tuition revenue shortfalls and insufficient funds for unavoidable expenses (e.g., bad debt on student receivables), division carry forward balances will be reserved centrally before division allocations are approved.

b. Year-end balances, excluding employee benefits, will be allocated to each division. Each division will have discretion in how it administers its carry forward funds.

c. The amount carried forward by division will reflect a prorated reduction to ensure that $400,000 will be allocated to the Infrastructure Repair Fund and $250,000 will be allocated to the IT Upgrade Fund. The Infrastructure Repair Fund will be reserved to fund projects for fixed assets (steam, gas, energy, water, sewage, drainage, transportation, and communication) where the system as a whole is intended to be maintained indefinitely by the continuing replacement and refurbishment of its components. The IT Upgrade Fund will be reserved to fund enterprise computing, storage and network upgrades replacements.

d. Funds excluded from a central assessment include: self-supporting doctoral programs, graduate research awards, Distinguished Professors awards, professorships, Study Abroad, faculty research awards, and University Wide indexes.

e. The carry forward for each division, excluding the allocation to the Infrastructure Repair Fund and IT Upgrade Fund, may not exceed 10 percent of the current fiscal year budget. Any amounts exceeding the 10 percent cap will accrue centrally unless waived by the President.

f. Prior to the end of the fiscal year, funds may be allocated to specific current and planned capital construction projects, equipment and furnishing associated with a capital project, debt service reserve for existing bonds, or for specific computers/equipment purchases approved by the President. Funds will be held in a reserve for reallocation when the Plant Fund projects are established or expenditures are necessary.

g. Units are expected to not incur budget deficits. Any unit deficits will be carried forward and immediately covered by the next year's unit budget. Division carry forward allocations will be lowered by any deficits in employee benefits pools within the respective division.

h. Carry forward funds may not be used to create permanent positions or hire permanent personnel without written approval of the President.

2. Outstanding encumbrances for goods ordered but not received by June 30, will carry forward into the next fiscal year in the respective expenditure accounts. Funds will carry forward to respective expenditure accounts if sufficient funds remain in the accounts to make the encumbrance payments. Encumbrances will be considered the same as
III. Procedure

A. Preliminary carry forward allocation calculations will be sent to each division by September 30th. After closing the books for a fiscal year, comprehensive year-end expenditures reports and a carry forward allocation calculation will be sent to each of the divisions. Upon resolution of any questions, a carry forward allocation will be confirmed in comparison to the budgeted carry forward by division.

B. This policy does not preclude a division from making a request for additional funding from the University’s central carry forward. However, all requests must be submitted to the President with justification as to why the funding need is extraordinary and cannot be funded by the respective division’s carry forward allocation and recurring operating budget.

C. Each division is required to submit a report on the use of the previous year’s carry forward funds and planned use of carry forward funds for the fiscal year just ended by November 15th. The report is to include the relationship of the use of funds to strategic priorities within the division.