

Budgeting Fundamentals

Presented by The Office of Budget and Planning

December 2018

UConn

Agenda

- Discuss Fundamental Concepts
 - Objectives
 - Terminology
 - Rules of the Road

- Highlight Major Deliverables
 - Overall Timeline
 - Budget Hearings
 - Budget Construction
 - Common Financial Transactions

- Review Financial Data
 - KFS/KFDM Guided FAQ



Objectives of Budgeting Activities

PLAN

strategically for
upcoming financial
activity

INFORM

University leadership of
anticipated activity to
formulate the University
Operating Budget

ADHERE

to financial transaction
policies, determined by
accounting principles

ALIGN

procedures across Units
to ensure consistency in
data

Terminology

All Ledgers:

Prior Year Fund Balance – The remaining balance from the prior fiscal year that rolls into the current fiscal year, loaded into object code 3000.

- *Note: For 2-Ledger accounts, a unit's total PY fund balance is capped at 2.5% of the annual funding amount. Any amount over this cap will be swept centrally.*

Encumbrance – Funds that are reserved for a specific expense that has not yet occurred, but is very likely to occur, in order to help avoid overspending. For example: unpaid salary and fringe amounts, open purchase orders, etc.

Object Code – Used by KFS to determine the type of accounting entry for each transaction. This is important for central office reporting. Object codes are used to categorize revenues, expenses, assets, liabilities, or fund balances.

Transfer – A transaction within KFS to move **actual funds** between accounts. This does not adjust the budgeted amount.

Budget Adjustment – A transaction within KFS to adjust **budgeted amounts**. This does not move actual funds. A single-sided budget adjustment is an available option as well.

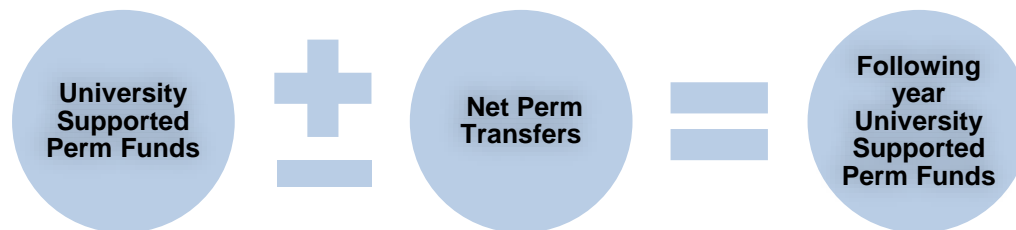
Terminology

2-Ledger Only:

University Supported Permanent Funds – Loaded into 2-Ledger accounts on July 1st in object codes 4100 (FY Permanent Budget) and 4101 (FY Fringe Rate Adjusted Perm Budget).

Permanent Transfers – Transfers that will impact your current fiscal year available balances as well as your University Supported Permanent Funds for the following fiscal year.

One-Time Transfers – Transfers that will impact your current fiscal year available balances only. These will not impact your University Supported Permanent Funds for the following fiscal year.



Rules of the Road

- Funds may only be transferred between accounts that have the same fund source (see Appendix A). This allows for appropriate fund accounting at the University and State level.
 - ✓ To cross different fund sources, try moving the expense with a DI eDoc.
- The correct transfer object code should be used (see Appendix B).
- Sending accounts into deficit, even if temporary, should be avoided.
- To close an account, there can be no available balance and no amount in object code 3000 for the current FY.
- Foundation reimbursements may only be deposited into 6-Ledger accounts with subfund RFNDO or RFNDA. No transfer can occur in or out of these accounts.



Budget Timeline

July	August	September	October	November	December
<ul style="list-style-type: none"> • July 1: New FY begins: perm funding and budgets are automatically loaded into KFS 	<ul style="list-style-type: none"> • Mid-month: PY fund balances are loaded into accounts (2-L amounts over 2.5% cap are swept centrally). 	<ul style="list-style-type: none"> • Mid-month: Central completes TF and BA for GA salary increases* 			<ul style="list-style-type: none"> • December 31: Deadline for Perm Transfers
January	February	March	April	May	June
<ul style="list-style-type: none"> • Mid-month: BC opens • All month: BC user training is offered 	<ul style="list-style-type: none"> • Early February: BC user training is offered • All month: Provost and CFO Budget Hearings begin • All month: BC Open Labs 	<ul style="list-style-type: none"> • Early March: Provost and CFO Budget Hearings continue • All month: BC Open Labs 	<ul style="list-style-type: none"> • Mid-month: Completed BC submissions due • All Month: Year-end Accounting deadlines begin for various document types 	<ul style="list-style-type: none"> • All month: Year-end Accounting deadlines continue • All month: Begin funding all account deficits. 	<ul style="list-style-type: none"> • Beginning of month: Deadline for Payroll Adjustments • Mid-month: Year-end Accounting deadline for BA, DI, TF, GEC, IB eDocs • End of month: University's budget is presented to the Board of Trustees for approval

*Other Collective Bargaining Increase (CBI) TF and BA eDocs will be completed by central offices per negotiated contract increase dates.

Budget Construction

Budget Construction (BC) is the annual process of entering financial data into KFS to provide an estimate of each account's budgeted revenue and expenditures

Purpose

- Allows each Unit to strategically plan for the following fiscal year
- Provides University leadership with a picture of anticipated activity for each unit, which ultimately formulates the overall University Operating Budget
- Standardizes the timing of budgeting activities

Expectations of Submissions

- Final submission should be completed by the Lead BC Processor
- All accounts should be projected to end with a balance greater than or equal to \$0
- Fund Balance estimates should be included
- Units must work with each other to ensure transfers between units reconcile

Additional Resources: *BC Training and Open Labs will be available in January and February for new and continuing users.*

Budget Hearings

Completed by most Provost and CFO units:

Preparation

Units:

1. Complete financial forecast for the remainder of the current FY and the following FY
2. Submit Narrative:
 - Identify major funding/ programmatic/ position requests
 - Describe area strengths, weaknesses, opportunities and threats

Analysis

The Office of Budget and Planning and the Office of the Provost:

1. Review financial forecasts, comparing submissions to historical trends and known changes
2. Summarize requests
3. Ensure submissions are complete

Presentation

Units:

1. Present all material at Budget Hearings
2. Speak to and provide updates on major current events

University Leadership:

1. Looks for updates on outstanding issues/ programmatic changes/staffing plans
2. Determines if requests can be fulfilled

Common Financial Transactions

Document Type	Location	Purpose	Owner
Budget Adjustment (BA)/ Single-Sided Budget Adjustment (SSBA)	KFS	Adjust the budget from one object code to another (or just adjust one object code's budget with an SSBA).	Budget
Distribution of Income and Expense (DI)	KFS	Move expenses or revenue from one account to another.	Accounting
General Error Correction (GEC)	KFS	Correct a posting error (incorrect account number, object code, etc.) for actual balances for revenues and expenses.	Accounting
Internal Billings (IB)/ Service Billings (SB)	KFS	Used when one department is providing goods/services to another department.	Accounting
Transfer of Funds (TF)	KFS	Transfer funds (cash) between accounts.	Budget
SmartHR Templates	Core-CT	Add/change an employee's attributes (funding account change, department change, salary adjustment, supervisor change, etc.)	Payroll

Financial Data: Guided FAQ

Account Balance

“What is the current available balance in my account?”

Try: Available Balance screen in KFS with “Include Object Code Grouping” selected

Organizational Data

“What is the current available balance in my entire org?”

Try: Organizational Fund Balance Standard Report in KFDM

Budget Adjustments

“When should I enter Budget Adjustments?”

Determine if the change from initial budget is substantial enough to prevent the Budget column from serving as a forecast for the full FY

Budget vs. Actuals

“How do my actual expenses compare to what I budgeted?”

Try: Statement of Activities Standard Report in KFDM, selecting to either view the report with account detail or consolidated by funding source

Financial Data: Guided FAQ

Annual Salary

“What annual salary and fringe is coded to a given account?”

Try: Filled Position Detail Standard Report in KFDM

Current Salary

“What are the salary and fringe expenses on a given account?”

Try: Labor Ledger View or Account Status (Current Funds) screen under “Labor Distribution” in KFS or Payroll Summary by Employee Report in KFDM

Encumbrances

“I think my encumbrances are wrong. What should I check?”

Try:

1. View the end dates listed in the Filled Position Detail report (Excel option only)
2. Ensure your calculation is only through the end of the FY

Other Personal Services (OPS)

“What are the salary and fringe expenses I see that are not perm salary?”

OPS charges are seen in object codes 5301-5399, and associated fringe in 5670. Included are: longevity payments, accrued vacation, etc. Reimbursed on 2-L accounts (excluding object codes 5330, 5370 and associated fringe).

Additional Questions



Appendix A

Fund Sources

Sub-Fund	Ledger*	Sub-Fund Description	Restricted/ Unrestricted	Allowable Transfers To/From
OPAUX	3	Operating Fund – Auxiliary Enterprises	Unrestricted	OPAUX; OPOTF; OPOTP
OPOTF	4	Operating Fund – Non-State/Tuition Fiscal Accts	Unrestricted	OPOTF; OPAUX; OPOTP
OPOTP	4	Operating Fund – Non-State/Tuition Project Accounts	Unrestricted	OPOTP; OPAUX;OPOTF
OPTUI	2	Operating Fund – State/Tuition Funded 2-Ledger Accounts	Unrestricted	OPTUI
UNRSF	4,6	Unrestricted Sponsored Programs Fiscal Account	Unrestricted	UNRSF; UNRSP
UNRSP	4,6	Unrestricted Sponsored Programs Project Accounts	Unrestricted	UNRSP; UNRSF
RSNSF	5,6	Restricted NonSponsored Programs Fiscal Accounts	Restricted	RSNSF; RSNSP
RSNSP	5,6	Restricted NonSponsored Programs Project Accounts	Restricted	RSNSP; RSNSF
RSTSP	5,6	Restricted Sponsored Programs	Restricted	RSTSP
RFNDA	6	Restricted Foundation Auxiliary Accounts	Restricted	No Transfers
RFNDO	6	Restricted Foundation Operating Accounts	Restricted	No Transfers

*Ledgers listed here are typical. There are some exceptions, particularly within the Accounting organization.

Appendix B

Transfer Object Codes

	Transfer In	Transfer Out
2-Ledger Permanent		
Within the same school/college/unit	3206	3306
Outside the school/college/unit	3207	3307
2-Ledger One-Time		
Within the same school/college/unit	3208	3308
Outside the school/college/unit	3209	3309
Non 2-Ledger Accounts		
Within the same school/college/unit	3200	3300
Outside the school/college/unit	3201	3301

The correct transfer object code should also be used in Budget Construction submissions.

Appendix C

Favorite Resources

- **KFDM Standard Reports:**
 - ✓ General Ledger Folder: Organizational Fund Balance, Statement of Activities
 - ✓ HR/Payroll Folder: Filled Position Summary and Detail
- **eDoc Guides:** <https://fiscaltraining.uconn.edu/>
- **Object Code Listing:** <https://accountingoffice.uconn.edu/oversight-of-kfs-object-codes/>
- **Object Code Rollup (for budgeting use, will correctly tie to Statement of Activities Report):** <http://media.budget.uconn.edu/2017/02/FY18-General-Expense-Object-Code-Levels.pdf>
- **Budget Construction Submissions:** Can review accounts if necessary (view only mode) year round
- **Budget Construction Export File:** Convert BC submissions into Budget Hearing forecast format <https://budget.uconn.edu/operating-budget/about-budget-construction/lets-get-started/> (under “Templates”)
- **SmartHR Template Summary:** <https://fiscaltraining.uconn.edu/wp-content/uploads/sites/1862/2016/09/List-of-Smart-HR-Templates-FINAL-1.pdf>