



RESOLUTION

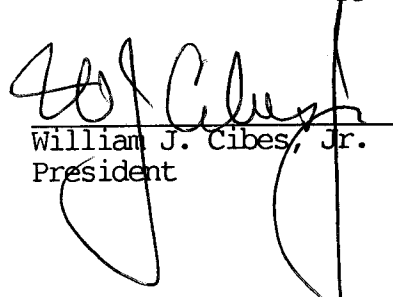
concerning

FUND BALANCE GUIDELINES

October 7, 1994

- WHEREAS, The Board of Trustees under the provisions of Section 10a-89(a) of the Connecticut General Statutes "...shall direct the expenditures of the university's funds within amounts available;" and
- WHEREAS, The universities and the system office because of serious revenue shortfalls have used contingency fund balances extensively over the last three years to meet on-going spending needs, and
- WHEREAS, Contingency fund balances of the Connecticut State University system have been depleted to a point where further reductions could impair the system's ability to cope with unforeseen economic circumstances in a rational fashion, and
- WHEREAS, Positive fund balances are essential to ensure the operational continuity of the universities, and
- WHEREAS, The Board of Trustees has directed the establishment of fund balance guidelines to ensure the maintenance of reasonable positive fund balances by the universities and the system office, now therefore be it
- RESOLVED, That the fund balance guidelines shown in the addendum to this resolution are approved effective this date, and be it further
- RESOLVED, That the fund balance guidelines be reviewed at least every three years to determine their adequacy and revised as determined appropriate.

A Certified True Copy:



William J. Cibes, Jr.
President



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ADDENDUM

FUND BALANCE GUIDELINES

These guidelines apply to unrestricted fund balances within the current fund and other fund groups. Fund balances in the endowment fund, loan fund, annuity/life income fund, research fund and plant fund are generally restricted. Income realized by restricted funds may be restricted in accordance with the requirements of the donor. However, certain revenues realized by or transferred to these funds may be unrestricted and may be designated by the appropriate authority(s) to support other activities.

Operating Fund

The operating fund from a funds accounting perspective is known as the current fund, and accounts for those economic resources which are expendable for carrying out the primary purpose or general operation of the university: instruction, research, and public service. The current fund consists of two sub-groups - unrestricted current funds and restricted current funds.

Current unrestricted funds are resources received by a university that have no limitations or stipulations placed on them by external agencies or donors. These funds are often deemed the most desirable resources for an institution, since they offer the widest range of flexibility concerning how monies can be spent. Tuition and fee revenue and legislative appropriations are typical examples of revenue sources received as unrestricted current funds.

Current restricted funds are resources provided to a university that have externally established limitations or stipulations placed on their use. Such restriction can be broad or very specific.

Internal designations placed on resources by the governing board or institutional management constitute an allocation of current unrestricted funds. These designations can change at any time. Any unrestricted resources designated to specific fund groups (plant, loan, or quasi-endowment) are included in such fund groups by a transfer, which can be either mandatory or non-mandatory, depending on the circumstances.

The current unrestricted and restricted fund subgroups are kept separate for internal accounting purposes. The distinction between unrestricted and restricted funds permits an acceptable level of reporting to external constituencies. For internal purposes, the current unrestricted and current restricted subgroups allow the governing board to see the result of accepting resources with restrictions. In addition, this distinction enables the board and senior management to determine the amount of resources available to meet the universities' current, projected and unexpected operating needs.

Current fund balances should be sufficient to:

- finance open commitments, such as encumbrances;
- cover carry-forward balances for multi-year projects not structured on a fiscal year basis, such as implementation of large information systems;

- plan for major expenditures that may require more funds than would be available for the specific purpose in a single year;
- maintain a contingency fund within the current fund exclusive of auxiliary enterprise funds in order to provide financial stability in the event of unfavorable economic conditions. The contingency fund portion of the current fund for a university should be maintained at between five (5) and ten (10) percent of the institution's total educational and general budgeted expenditures for the current fiscal year. Should a university's contingency fund fall below the five (5) percent level, the university will begin a process in conjunction with the system president and the board to develop an action plan to restore the contingency fund balance to the designated level within a reasonable time;
- maintain a system contingency fund of no less than three (3) percent of the system's total educational and general budgeted expenditures of the current fiscal year at the system level in order to respond to unforeseen economic circumstances within the system. Should the contingency fund fall below this level, the system office will begin a process in conjunction with the board to develop an action plan to restore the fund balance to the designated level within a reasonable time.

Auxiliary Enterprises

Fund balances in auxiliary enterprises should be sufficient to:

- finance open commitments, such as encumbrances;
- finance operations until the next billing/collection cycle;
- maintain a refurbishing and equipment replacement fund by designating not less than one (1) percent nor more than five (5) percent of auxiliary service fee revenues annually from housing, food service and student center facilities fees for the purpose of meeting the annual refurbishing and equipment replacement requirements of these activities.
- maintain a contingency fund of between five (5) and ten (10) percent of the annual operating budget in order to provide fiscal stability in the event of unfavorable economic circumstances. Should the contingency fund fall below the five (5) percent level, university management will begin a process in conjunction with the system president and the board to develop an action plan to restore the fund balance to the designated level within a reasonable timeframe.
- maintain a telecommunications system equipment replacement fund. Three hundred thousand dollars (\$300,000) will be transferred annually from the revenues of the telecommunication system operation to this fund to provide for on-going telecommunication equipment replacement and upgrade.

Other Funds

Unrestricted, self-supporting funds, such as those resulting from entrepreneurial activities of a university institute, may also have unrestricted fund balances. Fund balances for these type activities will vary depending upon the scope of the activity and will remain with the institute during its lifetime. Should an activity find its fiscal viability threatened, the university president will make a determination as to the continued existence of the activity.

Fund balances maintained in the plant fund for debt service are transferred to that account from the current fund to meet statutory requirements to pay for campus self-supporting construction projects approved by the state. Interest earnings on these funds are unrestricted, but are designated for debt service purposes in order to minimize student fee charges. Other unrestricted funds transferred to the plant fund for a specific future project may be made available to fund other needs depending upon the status of the project for which they were designated. Funds received from outside providers for capital projects may not be used for other purposes unless approved by the provider.

Unrestricted revenues of other funds such as the endowment fund group, loan fund group, annuity/life income fund group and the research fund, if realized, may be designated certain purposes by the appropriate authority(s).