

KSU Budget Basics Guidelines

Purpose

This document serves as a foundational guide for budget-related terms, processes, and guidelines for the benefit of university units.

As the budgeting process works in tandem with Purchasing and other finance-related procedures, this guide is meant to be a companion piece to university policies and other approved procedures and protocols. Please contact the Budget Office with any questions.

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CHART OF ACCOUNTS

The Chart of Accounts is the numbering system used by Banner Finance to capture financial transactions and facilitate retrieval of information for financial reporting. KSU's Chart of Accounts uses four (4) elements for all budget, expenditure, revenue, and transfer transactions:

Fund, Organization, Account, and Program (FOAP).

Fund (F)

A fund is a 6-digit number that identifies ownership of cash or fund balance. It also indicates the funding source. Please refer to Banner Query Screen **FTVFUND** for a complete list of active Fund codes or connect with the Budget Office with questions.

- Educational and General (E&G) (Fund Type 11): Funds consisting of State Appropriations, Tuition and Fees, Employee Parking, Interest Income, Indirect Costs, and Fund Balance. KSU's E&G fund code is 110001.
- State (Fund Type 12): Funds appropriated for a special reason.
- Designated (Fund Type 13): Resources internally allocated by the institution.
- Restricted (Fund Types 21-26): Funds provided by an outside entity that has restricted the use of the funds to specific purposes.
- Auxiliary (Fund Type 31): Exists predominately to furnish goods and services to students, faculty, or staff and ongoing operations that sell products and provide specific services to other KSU areas.

Organization (O)

The Organization (ORG) is a 6-digit code that identifies a budgetary or departmental unit. A department may establish multiple ORG codes for various divisions/units within the same department. Within Banner, KSU has established an ORG hierarchy to easily identify to which department a unit belongs budgetarily. Please refer to Banner Query Screen **FTVORGN** for a complete list of active ORG codes or connect with the Budget Office with questions.

- **Organization Contact** -An Organization Contact should be assigned to each ORG code. This individual is the primary contact for all Budget, Accounting, and Human Resources transactions for the organization.

Account (A)

The Account Code (ACCT) is a 4- or 6-digit code, depending on the action taking place, that identifies the type of good or service being expensed. Please refer to Banner Query Screen **FTVACCT** for a complete list active ACCT codes or connect with the Budget Office with questions.

Program (P)

The Program Code (PROG) is a 4-digit code that classifies the function of the expense. This type of classification supports required annual financial reports and other mandated reporting. Please refer to Banner Query Screen **FTVPROG** for a complete list active Program codes or connect with the Budget Office with questions.

ANNUAL OPERATING BUDGET

Budget Development Cycle

KSU has defined an annual budget process to develop the operating budget for the state fiscal year. This process is referred to as the Budget Development Cycle. Each year around January, the budget cycle will be distributed and posted in the Budget Office section of the KSU website.

Timeline and Instructions

- Budget Cycle Calendar is communicated to units around January of each year.
- Specific budget instructions are sent to Provosts, VPs, and Executive-level personnel.
- The operating budget is approved by the Board of Regents in June of each year.
- Unit budgets are loaded into Banner following Board of Regent review and approval in June.

Budgets

- Anticipated E&G and Auxiliary revenues are used to establish the University's annual budget. The budget is limited to these estimated revenues for the fiscal year.
- Units should request an effective, efficient, and sound budget to support unit operations for the entire fiscal year.
- E&G funds can be limited to the targets provided by both the President's Office and Executive Vice President of Finance and Administration's Office.
- For units seeking additional funding, after their base budget has been approved and established, approval must be granted through the Budget Office, EVP of Finance and Administration, and President's Office, respectively.

BUDGET CONTROLS

Purpose

Kentucky State University establishes budget controls by requiring ORGs to utilize approved ACCT codes in order to purchase goods and services.

These controls apply only to expense transactions. The budget controls have been implemented to:

- Restrict unallowable expenditures on a fund by limiting the allowable Budget Account Codes on a Fund.
- Control spending to the limits approved by the Board and Administration through the Budget Cycle and/or subsequent revisions to the budget.
- Require program codes for all goods and services expensed.

Budget Query

Budget controls require sufficient budget to be available prior to the processing of an expense transaction through the procurement process. Departments may view available budget information in

Banner via query screens **FGIBDST or FGIBAVL, or in Self-Service Banner**. Please see the Budget Office section of the KSU website for more details or contact the Budget Office with questions.

Adopted/Approved FY Budget

Approved budgets are given to units at the beginning of the fiscal year. The adopted/approved budget establishes the base budget for each unit for the entire fiscal year.

Adjusted Budget

The adjusted budget is the current state of the total budget. This amount includes any and all transfers in or out of an ORG unit.

Budget Adjustments

Budget adjustments must be entered in Self-Service for approval by the Budget Office. An approved Budget Transfer Request Form (available in the Budget Office section of the KSU website), signed by an individual with budgetary signing authority for the coordinating unit, must accompany all budget transfer requests. Unauthorized budget transfers will be denied.

Year-To-Date (YTD)

The YTD column in Banner signifies actual expenditures to-date for the Fiscal Year. All expenditures will post to a 6-digit account code that feeds up to their respective 4-digit account pool. Example: Account 711001 feeds to the budget pool of Travel Expenses account 7110.

Commitments

The commitments column in Banner includes all posted Encumbrances of future expenses, including Motor Pool Encumbrances, Pending Requisitions, and Approved Purchase Orders.

Available Balance

The available balance is the Adjusted Budget less YTD Expenses less Commitments. The remaining balance is the total current funds available after all YTD expenditures and Commitments.

BUDGET OF REVENUE

WHEN IS REVENUE BUDGETED?

- The revenue budget may be increased if the projected revenue for the entire fund exceeds the budgeted revenue for the entire fund.
- Revenue increases are typically not allowed on the E&G Fund.

POSITION CONTROL

A position must exist on the University's Master Position List prior to the recruitment or appointment of an employee. Please contact the Office of Human Resources (OHR) for the proper procedures for filling a vacancy or requesting a new position.

Funding

- The Budget Office will verify funding is available for each vacancy, internal transfer, and reclassification transaction.
- If funding is not available, the Budget Office will notify OHR of concerns regarding position funding.

BUDGET AND UNIT RESPONSIBILITIES

Budget Office Responsibilities

- A final approver for budget transfers in the Banner Finance System.
- Coordinate the Fiscal Year Budget Development Process, supporting unit budgeting prep via providing historical information and responding to questions.
- Review all Human Resources transactions to verify compliance with funding guidelines and verify sufficient budget exists to support the transaction.
 - If sufficient budget does not exist or the transaction violates a funding guideline, the transaction will be returned to the unit for correction.
- Develop, manage, and disburse monthly, quarterly and/or annual Budget-to-Actual reports.
- Authorized to review unit budgets and transfer funds within a unit to address negative ACCT balances.

Unit Responsibilities

- Units should request an effective, efficient, and sound budget to support all unit operations (expenses) for the entire fiscal year, including personnel-related expenses, during the Budget Development Cycle.
- Upon receiving a fiscal year loaded budget, units should enter requests for any known/expected expense for the fiscal year (i.e., encumber/commit funds for anticipated expenses including copy/printer expenses, continuing vendor service agreements, etc.) to support timely paying of invoices and improve expense forecast reports
 - Should unit needs arise later in the fiscal year, prior purchase/expense approval should be confirmed via the requestion process before any purchase is made.
 - This includes any service agreements, MOUs/MOAs, etc. with financial impacts.
 - It is the unit's responsibility to confirm a FOAP with available funds to support expenses.
 - Any invoices a unit receives should be directed to Accounts Payable immediately upon receipt.
- Units should regularly review their spending, ideally on a monthly basis, to address any potential negative balances, via Budget Transfer Request, and update operational plans as needed.
- Units are responsible for verifying compliance with the funding guidelines and verifying sufficient budget exists in the appropriate account codes prior to the submission of any Budget Transfer Requests or Human Resources transactions.
 - Units should ensure, prior to submitting a budget transfer, that funds allocated to an ACCT pool are not needed during the fiscal year for future expenses within the ACCT pool.

GLOSSARY

Account: Four- or Six-digit code that identifies the type of good or service being expensed

Adjusted budget: The current fiscal year original budget minus/plus any adjustments

Available balance: The portion of the budget that reflects expendable financial resources

Budget pool account code: Four-digit number where funds are placed for anticipated expenses

Budget cycle: Planning process to develop the annual operating budget for the upcoming fiscal year

Current budget: The current fiscal year original budget minus/plus any adjustments

Fiscal year (FY): Twelve-month period from July 1 to June 30

FOAP: Fund, Org, Account, Program - Used to identify expenses and revenue in Banner

Fund: Six-digit code that identifies ownership of cash or fund balance and type of funding source

Fund balance: The cumulative net income or loss generated by the operation of a fund

Operating budget – Planned Fiscal Year funding for current operations

Original budget: Planned funding (revenue and expense) established during the budget prep cycle, and approved by the Board of Regents

Organization (ORG): Six-digit code that defines a budgetary or departmental unit

Program: Four-digit component that classifies the function of expenses, revenue, and transfers

Revenue: Funds earned from activities associated with providing goods and services to entities separate from the university or funds received for endowments, gifts, or grants

Transfer: The movement of money between different FOAP elements

Year-to-date (YTD) – From 7/1, or the effective date of the fund, up to the most current point in time