



MONTANA UNIVERSITY SYSTEM
Office of the Commissioner of Higher Education

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TO: Board of Regents

FROM: Mick Robinson, Associate Commissioner for Fiscal Affairs

DATE: September 19, 2007

RE: FYE 2007 Negative Fund Balances

As required by Board of Regent policy 901.11, Negative Fund Balances, the campuses of the Montana University System have submitted their status reports concerning funds with negative fund balances as of June 30, 2007.

MSU Bozeman: The Shakespeare in the Parks program is a seasonal operation. Funds are expended throughout the year, while fundraisers are conducted primarily in the summer. The timing of receipts and disbursements continue to contribute to a negative fund balance at each June 30. The University requires the program to maintain a positive balance as of December 31 each year and the program has complied with this requirement. At June 30, the restricted Shakespeare in the Parks fund balance was (\$68,340).

MSU Northern: Negative balances continue in the general operating account (\$143,241) and auxiliaries (\$578,244). The negative balance in the general operating account was expected to be eliminated by the end of FY07; however, this did not occur. The FY08 current unrestricted budget provides for the elimination of the remaining deficit. MSU-N plans to reduce the auxiliaries' negative balance by continuing to reduce staffing and operational expenses in the housing and dining operations. The budget contains a \$70,000 transfer and approximately \$45,000 in budgeted revenue to be used to reduce the deficit. The restricted fund is negative (\$2,294) due to an accounting error where an account payable was not reversed when a payment was made in FY07. If the account payable had been properly reversed the fund balance would not have been negative. The unexpended plant fund is negative (\$146,128) due to the implementation of Banner system upgrades. It is expected to be negative until FY12.

MSU Billings: A negative balance in the restricted financial aid account (\$7,829) existed at fiscal year-end. This negative balance is offset by a corresponding receivable from the federal government that was recorded in the restricted GAAP fund. This is a new negative balance that did not exist in the past and is the result of accounting changes made for the implementation of the financial data warehouse. Appropriate changes will be made to the financial warehouse in FY08 to correct this reporting issue.

UM Missoula: Negative balances existed in restricted sponsored programs (\$40,362), auxiliary health services (\$46,589) and unexpended plant funds (\$5,967,581). These are new negative balances that have not existed in the past and are the result of accounting changes made for the implementation of the financial data warehouse. In FY08, changes will be made to appropriately exclude non-cash accounting adjustments, such as liabilities for compensated absences and entries for deferred revenue and account receivables ,that should be excluded for budget purposes.

Montana Tech of the UM: Negative balances existed in the restricted sponsored programs (\$1,328,261) and auxiliary student union (\$1,613). These are new negative balances that have not existed in the past and are the result of accounting changes made for the implementation of the financial data warehouse. In FY08, changes will be made to appropriately exclude non-cash accounting adjustments, such as liabilities for compensated absences and entries for deferred revenue and account receivables, that should be excluded for budget purposes.

UM Western: The plant fund deficit reported each year is caused by the financial statement GAAP entry to accrue bond interest expense at the end of the fiscal year in advance of the bond payment made in the following fiscal year. When bond payments are made in the subsequent year, the liability is eliminated.

UM Helena College of Technology: Negative balances existed in the restricted fund (\$5,803) because a cash transfer was not made from agency funds to the scholarship funds for an award. That transfer will be made this year. The continuing education designated fund also had a negative fund balance (\$19,710). It is anticipated that continuing education will be self-sufficient during FY08 and as a result, will begin to pay down the negative balance; however, the projected ending fund balance is still estimated to be negative (\$17,075). The auxiliary fund also had a negative balance in the rental fund (\$5,559). Two of the three rental properties are currently rented. If the properties continue to be rented all year, sufficient revenue will be generated to cover the yearly operating costs plus reduce the ending negative balance to (\$1,913). If the third property is rented, then the negative balance will be eliminated.

Campus CEOs and CFOs will be available during the meeting to respond to questions on negative fund balances.