

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance
Consent

AGENDA ITEM: 4 – G
DATE: October 2-3, 2019

SUBJECT

BOR Policy 5:20 – Cash Management (Second Reading)

CONTROLLING STATUTE, RULE, OR POLICY

None

BACKGROUND / DISCUSSION

The policy has been updated to include the purpose of the policy, definitions, and language to reflect current practices. The Board’s guideline of 10% unrestricted cash balance at year-end has been included in Section 1.1.

IMPACT AND RECOMMENDATIONS

This policy draft has been reviewed by the Business Affairs Council and they support the policy changes.

ATTACHMENTS

Attachment I – BOR Policy 5:20 – Cash Management

DRAFT MOTION 20191002_4-G:

I move to approve the second and final reading of the revisions to BOR Policy 5:20 – Cash Management as shown in Attachment I.

SOUTH DAKOTA BOARD OF REGENTS**Policy Manual****SUBJECT:** Cash Management**NUMBER:** 5:20

A. PURPOSE

To establish a written program for cash management.

B. DEFINITIONS

- 1. Agency Funds:** Funds held on behalf of individuals and organizations affiliated with the universities. The universities serve as custodians of these funds.
- 2. AICPA:** American Institute of Certified Public Accountants.
- 3. Endowment Funds:** Funds received from donors and invested by Foundations to generate earnings for use by the university.;
- 4. Funds:** Monetary resource.
- 5. HEFF:** Higher Education Facilities Fund represents 11.5% of each tuition dollar.
- 6. Loan Funds:** Funds received from granting agencies and private donors for the purpose of making loans to students.
- 7. NACUBO:** National Association of College and University Business Officers.
- 8. Participating Funds:** A designation determined by the Bureau of Finance and Management for funds that meet the criteria to earn interest.
- 9. Plant Funds:** Unrestricted non-appropriated funds for the purpose of maintenance and repair of campus facilities, constructing new capital improvements, acquiring land and for retirement of facility indebtedness.
- 10. Restricted Appropriated Funds:** Funds appropriated by the federal government.
- 11. Restricted Non-appropriated Funds:** Funds received from the federal government, foundations, outside organizations, ~~and~~ private individuals, and the Auxiliary System.
- 12. S&PL Funds:** School and Public Lands Funds are earnings from the perpetual trust fund for the maintenance of public schools established under Chapter 8 of the Constitution of the State of South Dakota.
- 13. Unrestricted Appropriated Funds:** Funds appropriated by the legislature for the operations of the institution.
- 14. Unrestricted Non-appropriated Funds:** Funds received from tuition and fees, indirect cost recovery, campus auxiliary operations and enterprises, and other miscellaneous sources.

C. POLICY

All institutions under the control of the Board are expected to conform to the financial accounting standards found in the *Financial Accounting and Reporting Manual for Higher Education* published by NACUBO and the *Audits of Colleges and Universities* published by the ~~American Institute of Certified Public Accountants—AICPA~~. These standards call for five fund types: current funds, loan funds, plant funds, endowment funds, and agency funds.

Cash reported in these fund types is held by the institutions to meet a variety of operational needs, including working capital, equipment purchases, temporary cash outflows in grant and financial aid accounts, loan advances, maintenance and repair of physical plants, etc. Each fund type serves a different reporting purpose, requiring different policies governing the management of cash.

1. Current Funds

This fund type consists of four categories: unrestricted non-appropriated, unrestricted appropriated, restricted non-appropriated funds, and restricted appropriated funds.

1.1. a. Unrestricted non-appropriated. ~~Funds received from tuition and fees, indirect cost recovery, campus auxiliary operations and enterprises, and other miscellaneous sources.~~ Cash in this fund type is held for working capital purposes such as the payment of salaries and operating expenses to support teaching, research, and public service missions and is under complete control of the institution. In general, revenues are expected to be spent in the year collected. ~~However, cash reserves may be needed for equipment and other large one-time expenditures and as protection against revenue shortfalls. Cash reserves for equipment or other large one-time expenditures are allowable only to the extent that such needs are within the scope of the department's mission and are based on realistic cost estimates. Cash reserves for potential revenue shortfalls should not exceed 10 percent of the source's annual revenue. Cash may be held in excess of these amounts for encumbrances. Campus departments should have replacement/new equipment and revenue shortfall plans available to document the need for cash balances in their accounts. Operating cash balances may be needed for equipment and other large one-time expenditures and as protection against revenue shortfalls and unexpected or emergency expenditures. As a guideline, operating cash balances at year-end should be at least ten percent of the institution's annual unrestricted expenditures.~~ Cash held in clearing and other similar accounts where the funds are being passed through the university are not subject to these requirements. Cash from certain sources within this fund type may be designated as participating funds and carried in interest bearing cash centers on the state accounting system.

1.2. b. Unrestricted appropriated. Funds appropriated by the legislature. Cash is not carried in these funds, recognized in Banner although it physically remains with the State of South Dakota. The funds are appropriated annually by the legislature through the general appropriation bill. The funds in this category are general operating funds, HEFF, and School and Public Lands (S&PL) funds. HEFF and S&PL funds have been designated as participating funds and are carried in interest bearing cash centers on the state accounting system.

1.3. e. Restricted non-appropriated. Funds received from the federal government, foundations, outside organizations, and private individuals. Cash in this fund type is restricted to the uses prescribed by the granting agencies, bond holders, and donors. The institutions are expected to conform to the uses and cash on hand policies of the funding entities. Cash in this fund type is carried in non interest bearing accounts on the state accounting system. Cash from certain sources within this fund type may be designated as participating funds and carried in interest bearing cash centers on the state accounting system.

1.4. d. Restricted appropriated. Funds appropriated by the federal government. Cash in this fund is restricted to the uses prescribed by federal government agencies. The institutions are expected to conform to the uses and cash on hand policies of these agencies. Cash in this fund type is carried in non-interest bearing accounts-cash centers on the state accounting system.

2. Loan Funds

Funds received from granting agencies and private donors for the purpose of making loans to student. Cash in this fund type is restricted to the uses prescribed by the granting agencies and donors. The institutions are expected to conform to the uses and cash on hand policies of the funding entities. Cash in this fund type is carried in non interest bearing accounts-cash centers on the state accounting system. Cash in this fund type may be designated as participating funds and carried in interest bearing cash centers on the state accounting system.

3. Plant Funds

Funds transferred from unrestricted non-appropriated funds for the purpose of maintenance and repair of campus facilities, constructing new capital improvements, acquiring land and for retirement of facility indebtedness. Cash in this fund type should be held until expended is for the maintenance and repair of campus facilities, constructing new capital improvements, acquiring land and for retirement of facility indebtedness. the purposes described. Cash no longer required for plant fund purposes should be transferred back to

the unrestricted non-appropriated fund type. ~~Cash in this fund type is may be held in interest bearing accounts cash centers on the state accounting system. Cash in this fund type may be designated as participating funds and carried in interest bearing cash centers on the state accounting system.~~

4. Endowment Funds

~~Funds received from donors.~~—Endowment funds are held and invested by the institutions' respective foundations.

5. Agency Funds

~~Funds held on behalf of individuals and organizations affiliated with the universities.~~—The universities serve as custodians of the ~~se-agency~~ funds. Cash in this fund is held until expended as required by the individuals and organizations depositing the cash. ~~Cash in this fund type is carried in non-interest bearing accounts on the state accounting system.~~ Cash in this fund type may be designated as participating funds and carried in interest bearing cash centers on the state accounting system.

FORMS / APPENDICES:

None

SOURCE:

BOR March 1999; April 2004; _____.