

Frequently Asked Questions (FAQs) – 2013 Management Statements and Budget Review

Question 1 – The general operating fund had a surplus of \$11.9M for 2012/13. Where did this come from and how is it going to be spent?

General Operating Fund Revenues of \$326.1 million exceeded expenditures of \$314.2 million by \$11.9 million. An annual surplus occurs for a number of reasons. These include:

- Positive variances between expected and actual results including:
 - Increased or unanticipated revenue
 - Lower expenditures than planned (e.g vacant positions, unpaid faculty salary increases not yet paid given bargaining not complete)
- Planned allocations to reserves for future major capital (new buildings and repurposing space) and equipment replacement; and
- Transfers of operating funds to cover other fund expenditures such as research, capital or specific purpose (e.g. building repair and renovation costs)

Given the above, in most if not all years, the university expects to have revenues in excess of expenditures. In addition, the University is required by provincial statute to not have a deficit in any given year. For 2012/13 the surplus was used as follows:

Transfers to cover capital expenditures	\$3.8M
Transfers to research	\$1.0M
Transfers to specific purpose and other	\$0.3M
Planned equipment reserve allocation	\$3.5M
Additional equipment reserve allocation	\$0.5M
Reserve increase from favourable balances	<u>\$2.8M</u>
Total	\$11.9M

Question 2 - What are internal cost allocations?

Internal costs allocations are the net transfers between internal accounts for the provision of goods and services provided by departments to other units within the university. They represent expenditures from one unit's account and revenue for the account of the unit that is providing the service. Overall they net to zero. The net recoveries in the general operating fund of \$6.296 million are made up of telephone services and equipment rentals, salary recoveries, printing and duplicating, computing support, Cancopy fees, graphic services, interest on internal loans and a variety of other miscellaneous charges.

Question 3 - Why have support salaries increased more than academic salaries?

Support staff costs include across-the-board increases for unionized support staff that were negotiated during the year as well as costs related to severance payments. The university has not yet reached agreement with the Faculty Association and therefore across-the-board increases for faculty have not yet been paid or represented in the financial statements.

Question 4 - Why do you have different management financial statements versus external audited financial statements?

The university manages its finances using a funds flow methodology which classifies resources for accounting and reporting purposes into fund groups with similar characteristics to ensure that restricted grants, donations and contributions are spent only for the required purposes. The external audited statements are prepared in accordance with Public Sector Standards as required by the accounting profession and the Provincial government. We have one set of books and two methods of presentation.

Question 5 - Are the management financial statements audited?

Technically there is no audit opinion expressed on the fund statements and schedules but the figures reported are reviewed, analyzed and verified by the external auditors as they form the basis for the audited financial statements.

Question 6 - Why is the net increase /decrease in the General Operating Fund balance zero every year?

The total excess of revenue over expenditures is appropriated each year to reflect existing commitments and, to a much smaller extent, for commitments for strategic priorities. These include:

- Honouring the commitments made to employees for pro D, start up, leaves etc. Unspent balances are carried forward to the next year.
- Honouring the university's policy of 100% carry forward for all departments. Unspent department funds are carried forward to the next year.
- Allocations are made by departments to equipment reserve in order to ensure future replacement of these assets; and
- remaining funds are allocated for strategic priorities such as student financial aid, repairs and renovations to buildings, major capital projects, information technology projects etc.

Question 7 - Why does the university have \$100 million in cash?

Total cash reported on the financial statements includes the university's cash and that of its 12 related entities. The university's cash represents funding that has been received for operations, research grants and endowments in advance of actual expenditures.

Question 8 - What are employee future benefits?

This represents liabilities to employees for sick leave, pension, group life and long term disability benefits.

Question 9 - Why are the assets and liabilities of the LTD (Long Term Disability) trust included in the university financial statements since the contributions come from employees and the funds are held in trust?

Given the Board of Governors appoints the trustees, accounting standards require that the LTD trust be consolidated as part of the university's financial statements. Although the trust is included in the university's financial statements, the university cannot access the funds within the trust.

Question 10 – Can you use the revenue or the surplus within the specific purpose fund to support university operating costs?

The Specific Purpose Fund consolidates the budgets of the university's foundations and other entities. The cumulative fund balance of \$31.8 million includes \$18.1 million related to the UVic Foundation's expendable balance, which is restricted to expenditures to carry out the purposes of the 1,100 endowments. Most of the other balances held in UVic are restricted for specific externally designated purposes.