

**OFFICE OF THE VICE PRESIDENT FOR
FINANCE AND ADMINISTRATION**

Ext. – 2445 Fax – 2372

MEMORANDUM

DATE: Dr. Gary D. Russi, President
TO: October 18, 2004
FROM: Steve W. Roberts, Associate Vice President
SUBJECT: Reconciling the General Fund Budget to the Financial Statements

Attached is the reconciliation you requested which explains the role of the general fund in the development of our annual financial statements. I have highlighted the points of congruence with the FY 04 budget as a starting point and then congruence with the FY 04 financial statements as the ending point. This would be the most concise and yet the easiest way we can come up with to explain and reconcile these two documents, which it does. If you would like me or Tom LeMarbe to assist in your discussion with the FAI Subcommittee Chair, please let me know.

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Oakland University
Variance Report to Financial Statement Reconciliation
For the Year Ended June 30, 2004

	General Fund Budget	General Fund Actual	Financial Aid Adjustment	GF Adjusted for Financial Aid	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund	Retirement and Insurance Fund	Reverse FY03 Year-End Payroll Adjustment	Post Closing JV Adjust Pledge Valuation	Total GASB Reclassifications**	Total
Operating revenues															
Tuition and fees	78,743,610	80,993,074	-	80,993,074	923,188	1,935,779	-	-	-	-	-	-	-	(8,169,663)	75,682,378
Financial aid	(7,522,133)	-	(7,087,097)	(7,087,097)	-	-	-	-	-	-	-	-	-	7,087,097	-
State appropriations	49,087,858	46,633,500	-	46,633,500	-	-	-	-	-	696,981	-	-	-	(47,330,481)	-
Federal grants and contracts	-	-	-	-	-	-	13,327,902	-	-	34,850	-	-	-	-	13,362,752
State, local and private grants and contracts	-	-	-	-	325,982	-	5,723,014	1,455	(13,978)	6,380,045	-	-	645,754	(10,241,456)	2,820,816
Income from investments-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Endowment fund	-	-	-	-	259,943	-	416,915	-	(676,858)	-	-	-	-	-	-
Other	-	51,488	-	51,488	1,415,121	-	28,673	50	2,730,776	697,667	38,075	-	-	(4,961,850)	-
Departmental activities	1,710,000	2,249,224	-	2,249,224	2,885,644	-	420,817	-	-	-	-	-	-	-	5,555,685
Auxiliary activities	-	-	-	-	-	20,057,142	-	-	-	-	-	-	-	(865,676)	19,191,466
Recovery of indirect cost of sponsored programs (deduction)	1,200,000	1,777,601	-	1,777,601	-	-	(1,777,601)	-	-	-	-	-	-	-	-
Other operating revenues	-	-	-	-	-	-	-	6,556	-	331,257	-	-	-	-	337,813
Total operating revenues	123,219,335	131,704,887	(7,087,097)	124,617,790	5,809,878	21,992,921	18,139,720	8,061	2,039,940	8,140,800	38,075	-	645,754	(64,482,029)	116,950,910
Operating expenses															
Education and General															
Instruction	61,220,918	59,846,746	-	59,846,746	1,765,660	-	3,326,091	-	-	-	(271,073)	8,863	-	(201,350)	64,474,937
Research	999,358	991,719	-	991,719	686,819	-	5,635,493	-	-	-	(13,132)	6,679	-	(720,563)	6,587,015
Public service	775,909	770,918	-	770,918	116,375	-	47,242	-	-	-	(1,953)	38	-	(6,166)	926,454
Academic support	11,239,247	10,333,648	-	10,333,648	307,521	-	7,597	-	-	-	(41,814)	2,665	-	(1,081,221)	9,528,396
Student services	10,626,885	10,137,472	-	10,137,472	950,267	-	291,459	-	-	-	(48,476)	5,815	-	(14,729)	11,321,808
Institutional support	13,638,703	18,254,685	-	18,254,685	891,480	-	72,188	-	-	-	(74,322)	26,772	-	(677,059)	18,493,744
Operation and maintenance of plant	12,368,990	11,137,791	-	11,137,791	624,804	-	812	-	-	545,224	(37,654)	78,974	-	(80,713)	12,269,238
Depreciation*	-	-	-	-	-	-	-	-	-	11,985,756	-	-	-	-	11,985,756
Student aid	-	6,437,959	(6,437,959)	-	269,800	-	7,235,456	-	-	-	-	-	-	(2,597,380)	4,907,876
Interest expense	-	-	-	-	-	-	-	-	-	4,229,008	-	-	-	(4,229,008)	-
Physical property additions capitalized	-	-	-	-	-	-	-	-	-	(2,904,178)	-	-	-	2,904,178	-
Auxiliary activities	-	-	-	-	-	19,001,804	-	-	-	-	(38,649)	48,083	-	(122,377)	18,888,861
Other expenditures	447,438	-	-	-	-	-	-	5,167	-	70,669	-	-	-	-	75,836
50% of excess tuition and fees	625,463	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	111,942,911	117,910,938	(6,437,959)	111,472,979	5,612,726	19,001,804	16,616,338	5,167	-	13,926,479	(527,073)	177,889	-	(6,826,388)	159,459,921
Transfers	11,631,855	12,283,743	(649,138)	11,634,605	(4,920,872)	2,306,124	897,115	-	(63,088)	(10,503,022)	-	-	-	649,138	-
Total expenditures and transfers	123,574,766	130,194,681	(7,087,097)	123,107,584	691,854	21,307,928	17,513,453	5,167	(63,088)	3,423,457	(527,073)	177,889	-	(6,177,250)	159,459,921
Operating loss															(42,509,011)
Nonoperating revenues (expenses)															
State appropriations														46,633,500	46,633,500
Gifts														3,875,389	3,875,389
Investment income (net of investment expenses)														4,961,850	4,961,850
Interest on capital asset related debt														(4,229,008)	(4,229,008)
Net nonoperating revenues														51,241,731	51,241,731
Income (loss) before other revenues														51,241,731	8,732,720
Capital appropriations														696,981	696,981
Capital grants and gifts														6,380,045	6,380,045
Additions to permanent endowments														41,132	41,132
Transfer to Meadow Brook Theatre Ensemble														(55,110)	(55,110)
Total other revenues														7,063,048	7,063,048
Increase in net assets														58,304,779	15,795,768
Net adjustments												177,889	645,754	-	
Net assets															
Beginning of year		1,680,948			20,777,115	1,457,046	10,515,482	360,608	15,565,597	160,244,898	4,377,996	177,889	-	-	215,157,579
End of year		3,191,154			25,895,139	2,142,039	11,141,749	363,502	17,668,625	164,962,241	4,943,144	-	645,754	-	230,953,347

* Includes Loss on Disposals

**Adjustments made to reclassify revenue and expenses to conform with GASB reporting model.

Oakland University
Statements of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2004 and 2003

	2004	2003
Operating revenues		
Tuition and fees (net of scholarship allowances of \$8,169,663 in 2004 and \$7,528,167 in 2003)	\$ 75,682,378	\$ 66,227,458
Federal grants and contracts	13,362,752	10,847,133
State, local and private grants and contracts	2,820,816	4,367,692
Departmental activities	5,555,685	4,499,632
Auxiliary activities (net of scholarship allowances of \$865,676 in 2004 and \$769,838 in 2003)	19,191,466	20,943,503
Other operating revenues	337,813	384,683
Total operating revenues	<u>116,950,910</u>	<u>107,270,101</u>
Operating expenses		
Education and general		
Instruction	64,474,937	65,393,798
Research	6,587,015	6,148,222
Public service	926,454	761,323
Academic support	9,528,396	9,612,916
Student services	11,321,808	11,680,677
Institutional support	18,493,744	18,484,889
Operations and maintenance of plant	12,269,238	11,650,823
Depreciation	11,985,756	11,248,368
Student aid	4,907,876	4,172,043
Auxiliary activities	18,888,861	21,554,135
Other expenses	75,836	113,627
Total operating expenses (Note 11)	<u>159,459,921</u>	<u>160,820,821</u>
Operating loss	<u>(42,509,011)</u>	<u>(53,550,720)</u>
Nonoperating revenues (expenses)		
State appropriations	46,633,500	50,551,147
Gifts	3,875,389	3,976,319
Investment income (net of investment expenses)	4,961,850	2,843,901
Interest on capital asset related debt	(4,229,008)	(4,218,499)
Net nonoperating revenues	<u>51,241,731</u>	<u>53,152,868</u>
Income (loss) before other revenues	8,732,720	(397,852)
Capital appropriations	696,981	4,476,202
Capital grants and gifts	6,380,045	88,066
Additions to permanent endowments	41,132	107,772
Transfer to Meadow Brook Theatre Ensemble	(55,110)	-
Total other revenues	<u>7,063,048</u>	<u>4,672,040</u>
Increase in net assets	15,795,768	4,274,188
Net assets		
Beginning of year	<u>215,157,579</u>	<u>210,883,391</u>
End of year	<u>\$ 230,953,347</u>	<u>\$ 215,157,579</u>

The accompanying notes are an integral part of these financial statements

Oakland University
Analysis of Budget Performance
Fiscal Year Ended June 30, 2004

	FY 2004 Budget	YTD Actual	Favorable (Unfavorable)	% of Budget	
Revenues:					
State Appropriation	\$ 49,087,858	\$ 46,633,500	\$ (2,454,358)	95.00%	Reflects 5% state appropriation reduction.
Tuition	73,050,072	75,139,850	2,089,778	102.86%	Actual FYES 348 over budget.
Other Student Fees	5,693,538	5,854,685	161,147	102.83%	Actual FYES 348 over budget.
Financial Aid	(7,522,133)	(7,087,097)	435,036	94.22%	Fewer graduate positions allocated and changes in awarding parameters.
Indirect Cost Recovery	1,200,000	1,777,601	577,601	148.13%	Increase in ICR rate, Department of Defense grants.
Investment Income	-	47,159	47,159		
Miscellaneous Income	1,710,000	2,252,093	542,093	131.70%	Charter School revenue favorable (DAAS).
Subtotal Revenues:	\$ 123,219,335	\$ 124,617,791	\$ 1,398,456	101.13%	
Other Funding Sources:					
FY03 to FY04 Encumbrance and Carryforwards	\$ 1,680,948	\$ 1,680,948	\$ -	100.00%	
Total Revenues and Other Funding Sources	\$ 124,900,283	\$ 126,298,739	\$ 1,398,456	101.12%	
Expenditures:					
Compensation	\$ 91,835,299	\$ 90,125,171	\$ 1,710,128	98.14%	Faculty salary and fringe benefit savings of \$650k and staff compensation savings of \$1.1 million from turnover, vacancies and continuation of the hiring freeze.
Purchased Utilities	2,548,283	2,234,075	314,208	87.67%	Savings from retail open access contract with Quest Energy.
Insurance	711,183	592,379	118,804	83.29%	Property insurance premiums were lower than preceding years.
Debt Service	4,604,649	3,900,094	704,555	84.70%	Series 2001 favorable due to variable rates. Series 1997 savings from use of EH building funds.
Administrative Charge	(706,568)	(771,291)	64,723	109.16%	Auxiliary administrative charge based on FY03 actual. Increase in Charter School spending.
Contingency, Strategic Plan, Tech. Imp.	2,500,000	1,840,219	659,781	73.61%	Project balances remaining at year-end.
Incentive, CE, New Programs	6,608,455	6,359,383	249,072	96.23%	Restraint in spending in anticipation of possible additional budget reductions.
Operating Expenses	20,316,643	17,180,763	3,135,880	84.56%	Restraint in spending in anticipation of possible additional budget reductions.
Charter Schools	1,084,292	1,084,292	-	100.00%	
Transfers from Year End Savings	(6,115,433)	-	(6,115,433)	0.00%	Transfers for University projects.
Transfers (Rainy Day Fund)	(437,500)	562,500	(1,000,000)	-128.57%	Utilized \$437,500 for FY04 budget reductions. Transfer \$1 million from year-end funds.
50% of Excess Tuition and Fees	625,463	-	625,463	0.00%	Per spending authority authorization, net of \$500k dedicated to offset budget reductions.
Total Expenditures	\$ 123,574,766	\$ 123,107,585	\$ 467,181	99.62%	
Excess of Total Revenues over Expenditures		3,191,154			