Adjustment of Budget to Actuals

2007-08

Each year actual year-end results for revenue and expense vary from the budget. The New Budget Model Interim Implementation Report indicates that year-end variances will be flowed to academic divisions and appropriate adjustments either charged or credited to each unit. Administrative divisions are not impacted by an annual adjustment of budget to actuals as these budgets are not revenue and cost driven. This document provides a detailed description of the methodology proposed for the annual restatement of budget to actuals for academic divisions, using the 2007-08 fiscal year as the example.

It should be noted that the adjustment of budget to actuals for the 2006-07 year will be done using a more detailed approach, as the restatement of the 2006-07 budget is critical because it sets the University Fund Reference Level for each division. Budget Process Document C describes the methodology for the restatement of the 2006-07 Shadow Budget.

Ongoing annual adjustments of budgets to actuals will be done in a somewhat more simplified manner, as outlined below. The adjustment will be managed in two stages. The first stage will be a calculation and communication of estimated enrolment-driven variances. No adjustment will be processed on an in-year basis. The second stage will be a final calculation of all adjustments and the processing of budget transfers on a slip-year basis.

**Stage 1: February 2008**

**Enrolment-driven revenue variance: division specific**

- Some grant and tuition fee revenue variances can be directly attributed to a particular division as a result of a division achieving enrolment levels above or below target.

- These variances can be estimated with sufficient accuracy after the fall 2007 enrolment count has been incorporated into the enrolment model. The revenue results based on the final fall 2007 count and the estimated 2008 winter count are available by the end of January 2008 (the “BPS Model”); this is called the estimated actual.

- This projected revenue variance will be communicated to academic divisions at the same time they receive the 2008-09 target budget letter and budget package in February 2008.

- There will be no further division-specific adjustment for the winter 2008 count or final tuition variances; generally variances beyond those estimated in the BPS model are not material and will not be known until the end of June 2008. These variances will become part of the in-year university-wide surplus/deficit and will be attributed to divisions on the basis of budgeted 2007-08 attributed revenue.
Adjustment of Budget to Actuals
2007-08

Stage 2: Summer 2008

Other revenue variances

i. Government Grants

In some years, there are variances in government funding that are not known until the end of the year. Examples of this include discounted undergraduate accessibility funding, a shortfall in quality funding or additional unanticipated year-end funding from the province. These types of adjustments will be handled on a case-by-case basis.

ii. Other Revenue

Other revenue variances may include: tuition variances after the winter enrolment count is final, indirect costs, investment income and other income (e.g. application fee revenue.) Final variances are not known until year-end. These variances are generally not material relative to total revenue. Adjustments will become part of the in-year university-wide surplus/deficit and will be attributed to divisions on the basis of budgeted 2007-08 attributed revenue.

Utility expense variance

- Because of the size of the budget and the nature of the expense, the largest variance in university wide costs most often occurs in utility expenses.

- Final utility costs are not known until year-end and at this point the adjustment from budget to actual can be calculated.

- Utility adjustments to actual will be calculated in the same way the original utility budgets were attributed, using divisional shares of the occupancy bin as the driver for the adjustment.

- It should be noted that UTM and UTSC are excluded from this adjustment as they manage utility costs within their own divisional budgets.

Other university-wide expense variances

- Other “bottom line” university-wide expense variances may include: staff benefits, COPC contingency, salary increase provision for administrative divisions and legal expenses. Final variances are not known until year-end.

- Adjustments will become part of the in-year university-wide surplus/deficit and will be attributed to divisions on the basis of budgeted 2007-08 attributed revenue.
Adjustment of Budget to Actuals
2007-08

Summary of Divisional Adjustment

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<td>Tuition &amp; grant revenue (division-specific)</td>
<td>BIUs and FTEs as per BPS enrolment model</td>
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<td>Other grant revenue</td>
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