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## FINANCE

### MISSION STATEMENT

Administrative Services is committed to supporting the college community by providing the services, systems, infrastructure, and collegial environment necessary for the fulfillment of its mission and values.

We recognize our responsibility to the college community and the State of Washington by operating in a professional, responsive, effective manner while balancing quality and accuracy with efficiency and cost effectiveness.

In doing so, we seek to acknowledge the college's commitment to learning by understanding the diversity of views and perspectives, by communicating in a respectful and positive manner, by supporting the functions of other departments, by seeking to inform and be informed, and by working collaboratively with the public we serve and in partnership within the college community.

The Finance and Administration area of the College maintains and supports human, fiscal, and facility resources. The organization of this area helps the area to fulfill its mission effectively and efficiently. (See Attachment 7.1)

### Financial Planning

Financial planning and budgeting are based upon the mission and goals of the institution in an on-going, realistic manner. As a state agency, Centralia College is subject to the laws of the State of Washington. The Office of Financial Management (OFM) interprets the laws passed by the Washington State Legislature, and these laws are administered by various lower-level state agencies which set the policies and govern the

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operational procedures for state agencies. The OFM Manual has been renamed SAAM, the State Administrative and Accounting Manual. (Available in Exhibit Room)

These policies and procedures are used in the day-to-day operations of state agencies and incorporated into the decision-making processes for financial planning and budgeting. The state's agencies follow accounting policies and procedures prescribed by the Governmental Accounting Standards Board (GASB) as interpreted by OFM.

The State Board for Community and Technical Colleges (SBCTC) receives the statewide appropriations approved by the legislature and allocates them annually to all the state community and technical colleges on a formula basis. Allocations include general purpose funds as well as dedicated funds for specific purposes and initiatives. Additional allocations may be received throughout the fiscal year. (See Attachment 7.2)

The Centralia College Board of Trustees reviews and adopts the college's annual budget. Thereafter, the president and the designated budget managers have the autonomy to manage their individual budget plans according to board policy.

Centralia College has a strategic planning policy in place, but because of the funding methods used by the state legislature, only limited long-range financial planning is possible. The legislature appropriates funding for state agencies on a biennial basis. The SBCTC allocations are made for the current year, based on a dollar value for each full-time equivalent student (FTE); thus, financial planning is basically limited to a two-year cycle.

The strategic planning objectives for 1999-2000 are:

### **1. Total State Enrollment Targets**

The strategic long-term enrollment target for Centralia College should be to increase excess enrollment by 2% per year until 112% of the state allocated FTEs has been reached and maintained.

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## 2. Off-site, Evening, and Day Enrollment

The target for Tenino/Morton is an increase of 100 FTEs at each site by 2004/05 with evening classes on all campuses making up 20% of the total FTEs by 2004/05 (equal to the system average).

## 3. Instructional Mix Enrollments

The targets have also been set for specific programs:

Developmental Education	7%
Basic Skills	16%
Professional Technical	32%
Academic Transfer	45%

(See Strategic Planning Documents available in Exhibit Room)

Two major areas that do permit longer-range planning are faculty salaries/benefits and equipment acquisitions. The negotiated agreement for faculty has a three-year term, so planning for salaries, staff development funds, and similar costs is possible. When the legislature appropriates funding for salary increases for faculty increments, annual negotiations are held to determine the distribution of those funds.

Capital planning is completed statewide for all community and technical colleges using a six-year cycle. New facilities go through a three-biennium process that includes appropriations for planning during the first biennium, architectural drawing during the second, and construction during the third. Centralia College is currently in the process of constructing a new instructional facility which is slated for completion in Spring 2001. This structure will have a new theatre as well as classrooms and offices to support the areas of art, music, theatre, radio-television, and business. Because of dangerous conditions of the existing facility (Corbet Hall), this process of capital planning was expedited. (See Standard 8 for further discussion)

State allocations come from the general fund and are, therefore, tied to the economic climate of the state. Forecasts of the state's overall economic climate form the basis of legislative strategic long-range planning. The legislature uses that information to determine tuition rates

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for the community and technical college system. A portion of student tuition is retained as local operating funds and used in Centralia College's operating budget.

The College accomplishes short-range planning for instruction, administrative services, and student services through an annual review and planning cycle. Each academic department is supplied with its enrollment and financial history and given the opportunity to forecast future enrollment, personnel, and program needs. This is also the opportunity to plan for changes in existing programs and implementation of new programs. For the past few years, the state has also appropriated money for Workforce Training that requires the College to plan and implement programs that will meet the immediate training needs of specific members of the state's workforce. Examples include the Correctional Officer Program, New Chance, Life after Layoff Workshops, and financial aid special advising.

Centralia College also adds other local funding sources to the state allocation in order to support an operating budget plan. These include, but are not restricted to the following:

- Excess Enrollment—The SBCTC allocation assumes an operating fee income level based on historical FTE trends. If actual enrollment exceeds that level, the college may retain the excess funds generated for the operating budget.
- International Enrollments—This funding comes from the enrolling of international students who pay non-resident tuition. The FTE's generated by these students are not counted or reported as part of the college's state-funded enrollment target.
- Running Start—Local high school students may attend Centralia College after meeting certain admission requirements. The Washington State Legislature established the Running Start program in 1989, allowing high school students to take classes at the state's two-and four-year colleges and universities. FTE's generated by these students are not counted or reported as part of the

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college's state funded enrollment target. The home school districts of these students classes report the FTE's and pay the College for each student enrolled in college courses through the Running Start program.

- Indirect/Administrative Allowance—This funding comes from indirect/administrative costs included in some grants and contracts. This fund is used to cover administrative overhead costs and employment costs incurred from expired grants and contracts. These additional funding sources are critical to Centralia College's financial planning process since they are used to balance the overall operating budget.

## **Annual Budget**

Centralia College's Budget Review and Planning Committee (BRP) sends out carry forward budgets and parameters to budget managers according to the budget calendar. (See Attachment 7.3) Budget managers use these documents along with input from division staff to plan and support budget decisions. The budgeting development process then follows regularly scheduled planning and budgeting activities which promote maximum participation by all college constituencies. The budget process normally occurs during the months of February through May.

The first step in the process is the creation of an initial budget by the Budget Office. This first draft usually includes updated salary and benefit projections for the current level of staffing. It may also list other pertinent information according to the BRP budget process calendar. These materials are distributed to all budget managers, the individuals or designees appointed by the College president or appropriate administrator responsible for managing specific areas of the budget. Budget managers are the vice presidents and administrator in the three areas of the College.

Each program of the college develops its own budget request using the information from the Budget Office, historical staffing ratios, enrollment targets, and its program review recommendations. Through a continual process of additions/deletions and updated summarizations presented to the administration, the budget is preliminarily balanced against the projected state allocation, estimated tuition revenue, and other local revenue used to supplement the operating budget. These summaries are published and copies are distributed to BRP members, the Teaching Learning Center (TLC), the Library, and each vice president's office. The vice-presidents then present the drafted budget to the BRP at an open hearing that provides all college constituency groups an opportunity to review the status of the budget, ask questions, and provide input.

That preliminary budget is then recommended to the College Council and presented in-depth to the Board of Trustees at an annual workshop. This presentation provides board members an opportunity to understand the details of the budget and the process by which it was developed. During this process, BRP members share any concerns about the upcoming budget year.

The Board then formally approves and adopts the budget at its regularly scheduled meeting. Detailed copies are distributed to the president and each vice president, and hard copies are placed in the college library, Teaching and Learning Center, and the vice presidents' offices for employees, students, and members of the public to review. When the actual state allocation is approved by the legislature and distributed by the SBCTC, the President's Cabinet makes its final balancing adjustments to the budget. Administration, Board of Trustees, and BRP members receive copies of the final budget.

Following Board adoption, the budget managers have the autonomy to approve expenditures within prescribed budgetary constraints. Budget authorities are provided with a printed monthly summary and detailed reports which reflect the budget's current activity and year-to-date balances. Business Office staff and department support staff review these reports and make necessary adjustments. Any budget revisions are submitted by the budget managers and approved by the administration as needed. These changes are reflected in their monthly reports. Centralia College follows the OFM guidelines for internal control

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and the safeguarding of assets by conducting an annual assessment to identify areas of concern or potential risk. This risk assessment is audited annually by the State Auditor's Office.

The Business Office and budget managers monitor transactions to assure that only designated managers commit funds for expenditures and all proposed expenditures comply with any special rules or regulations attached to a specific budget. In addition, the College maintains internal control procedures that require the Business Office staff to pre-audit all purchase requisitions for proper budget coding, signature authority, and appropriateness of the expenditure. It also requires the Budget and Payroll Office staff to pre-audit the payroll documents and all budget authorities to review monthly budget printouts for the accuracy of expenditures charged to their accounts.

Budgets for specific grants or contracts, for example, may have restrictions on the types of expenditures that can be made with the funds. In addition, Business Office and other support staff complete all the necessary reports and specific information requests from governing agencies.

On the other hand, adequacy of the equipment budget has historically been problematic. In order to work with this problem, the equipment requests are listed and prioritized so the involved staff can agree what equipment will be funded first. Resources only permit funding of the highest priorities.

### **Capital Outlay**

As a state agency, Centralia College has no substantial debt for capital outlay. The majority of the buildings on campus were funded by state capital appropriations backed by state issued bonds. A portion of student tuition is designated for the bond redemption, with remittance to the State Treasurer's Office occurring within 35 days of the start of a quarter. The Board of Trustees, in turn, must approve local funding for buildings or improvements and notification must be sent to the State Board for

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Community and Technical College (SBCTC) staff. If the amount is \$200,000 or greater, the State Board must grant formal approval.

## **Financial Resources**

Centralia College uses many different sources of funds. The state allocation is based on a dollar amount per full-time student (1998-99 FTE = \$4,235), allocated to the college by the SBCTC. Tuition and fee revenues are also part of the overall operating budget. These funds are recorded by student status and type of revenue which is defined at the state level. As discussed, the State Budget and SBCTC determine the adequacy and stability of the allocation.

In 1999, the SBCTC recognized the difficulty some colleges were experiencing in enrollment patterns, so they instituted an "FTE moratorium" to allow schools with enrollments lower than their target FTE level an additional two years to reach designated enrollment levels before their base allocation would be cut.

In addition to the state allocation, Centralia College funds its programs and services with monies from a variety of grants and contracts which the college aggressively sought and secured. Specialized occupational, technical, and professional programs have access to additional resources such as federal Carl Perkins funds, Workforce Training allocations, Tech Prep funds, and field-specific grants and contracts. Outside accrediting bodies and professional technical advisory boards assess and make recommendations regarding the adequacy of funding and equipment for these programs. There are currently over 50 grants and contracts which add over 4.5 million dollars to the base state allocation. (See Attachment 7.4)

All of these requests for additional funding are reviewed by the director of institutional research and external funding and the External Funding Committee to ensure that they reflect the mission, goals, and priorities of Centralia College.

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Most grants and contracts specifically stipulate use of resources; whereas funds generated by Running Start and international student contracts are allocated among several college programs. The specific use of funds is included in the annual operating budget which goes through a review process by the campus community, the Budget Review and Planning Committee, the College Council, and the President's Cabinet. Final review and approval is done by the Centralia College Board of Trustees.

Centralia College also uses 10% of the net International Program revenues and excess enrollment funds for the Lovington Awards. These funds are named for a deceased faculty member who served as the first BRP chair. This unique and popular program funds proposals which have no other (or inadequate) funding sources and which are tied to the college's Strategic Planning Priorities. In 1998, the Lovington Awards funded almost \$63,000 in college-wide projects such as health and fitness equipment, technology classroom improvements, and an electronic music lab. The detailed allocation of these funds is summarized in each contract's yearly budget. (See Attachment 7.5, 7.6, 7.7, 7.8)

At Centralia College, auxiliary enterprises are food service, bookstore, and daycare. Centralia College does not use auxiliary enterprise income to balance the operating budget. While state funds are not directly used to balance the auxiliary budget, state-funded administrative support services are provided. In the case of the daycare, which also serves as an instructional child study lab, state-funded positions are provided.

Another funding source, the Centralia College Foundation, supports college programs through the coordination and administration of fundraising activities. These funds include money designated for specific programs i.e., nursing, committees i.e., the Wellness Committee and Friends of the Library, college facilities i.e. Centralia College East, and student scholarships.

## **College Debt**

As a state agency, Centralia College is not allowed to have indebtedness, and its financial statements (IPED reports) show a history of financial stability. No deficit is accumulated.

## **Audits**

Centralia College has a history of clean audit reports. Interfund transfers are legal in this state and guided by state policies and regulations. Money transfers are recorded using generally accepted accounting principles set forth by the Office of Financial Management. The Centralia College Business Office staff routinely processes transfers.

## **Financial Aid**

The Financial Aid Office identifies and monitors the sources and students eligible for financial aid. These sources include federal, state, and Centralia College Foundation scholarships.

As allowed by state law, 3½% of tuition is used for Centralia College grant awards to meet unmet, unfunded financial needs. The Financial Aid Office also uses a Needy Tuition Waiver to meet unfunded financial aid needs.

## **Contingency Fund**

Centralia College has a history of maintaining a contingency fund of approximately 2% (ideally 2%; in actuality 1.6-1.8%) of the operating budget. This fund is available for fluctuations in revenues and expenses.

Historically, these funds have been distributed to the different areas of the college at the end of the fiscal year (state policy discourages actual carry-over savings accounts). However, in 1997, when the Title III grant ended,

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contingency funds enabled the College to continue offering valuable activities and services. (Preliminary Budget Available in Exhibit Room)

## **Financial Management**

The president reports to the Board of Trustees at regularly scheduled monthly meetings. During the meetings any financial concerns are presented to board members for their discussion and action. Also, as a regular part of the budget development process, the Board reviews the budget in a special workshop. The Board of Trustees also receives a quarterly budget tracking actual expenditures year-to-date. (See Attachments 7.9, 7.10, 7.11, 7.12, 7.13, 7.14, 7.15)

Centralia College's financial functions are centralized under the direction of the vice-president of finance and administration. The staff involved with the college financial functions include:

- Director of Fiscal Services
- Accounting Supervisor
- Bookstore Manager
- Food Services Supervisor
- Purchasing Manager
- Director of Human Resources
- Budget and Payroll Manager
- Director of Institutional Research and External Funding
- Director of Facilities and Maintenance
- Director of Central Services
- Director of Technology and Computer Services
- Public Information Officer

Each manager employs staff to carry out assigned functions, and many of these key staff members have been employed by the college for over ten years combining their experience to meet the demands of the college. A history of clean audits demonstrates the effectiveness of the organizational structure which has changed over time to meet needs and demands.

Centralia College controls all its revenue and expenditures through the use of a common statewide financial software system, in conjunction with its internal control procedures. This financial software system defines revenue sources, objects of expenditure, general ledger charts of account, and common input and reporting formats.

The basic accounting structure for all state agencies is supported by the Center for Information Services (CIS) formed in 1975 and set by the Office of Financial Management (OFM). Its policies are in the State Administrative and Accounting Manual and also via OFM web page. This common financial system provides for the recording of all financial activities in accordance with generally accepted accounting principles. It includes:

- Budget Development and Tracking
- Accounting (Chart of Accounts, Cashiering, Accounts Receivable, and Accounts Payable)
- Payroll and Personnel
- Student Registration and Records
- Financial Aid
- Facilities and Equipment Inventory

The recording of these financial activities meets the accounting and auditing requirements of the OFM, State Auditors Office (SAO), State Board for Community and Technical Colleges (SBCTC) and other federal, state, and local agencies. In addition, each individual college determines its own departmental code structures that reflect its individual administrative organization.

## **Cash Management**

The College has clearly defined and implemented policies regarding cash management and investments which have been approved by the governing board. It has a written cash management/investment procedure supported by the President's Cabinet, detailing the cash flow management and investment policies of the campus. The Washington State Auditor's Office regularly audits the College's investment transactions and procedures. All funds are included in these audits. The

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College submits an updated electronic cash management activity report to the Office of Financial Management as required through the Agency Financial Reporting System (AFRS) and the State Asset Reporting System (SARS).

Centralia College responds promptly to any concerns addressed in the management letter accompanying its annual audit report, and the State Auditor's Office (SAO) reviews prior concerns for compliance during subsequent audits. In addition, the State Board for Community and Technical Colleges (SBCTC) annually reviews specific college programs/functions and checks for consistency of reporting among community and technical colleges.

Special audits of governmental programs do occur, although the Single Audit Act delegates responsibility for audit of federal funds to the State Auditor's Office. They are public records available as described in WAC 132Y-320.

## **Fundraising and Development**

Fundraising activities are orchestrated by the Centralia College Foundation. The Foundation was established in 1982, and since 1986, the Foundation has held Annual Fund Campaigns as its basic fundraising program. The Centralia College Foundation administers endowment and life income funds and their investments. Complete records are maintained by the Foundation staff ( Executive Director, Secretary). Audits confirm that these records are accurate, complete, and comply with applicable legal requirements.

Annual audits conducted by an independent certified public accountant firm have confirmed the Foundation's activities as ethical, professional, and in compliance with state and federal guidelines for non-profit organizations. Currently, the Foundation manages an endowment and scholarships in excess of \$5 million. The Capital Campaign, "Reach For The Stars" is an additional effort by the Foundation to raise over \$1M for the new instructional building.

Since fundraising is done by the Foundation, there are currently no specific Centralia College institutional policies regulating fundraising. Policies and procedures are determined by the Foundation Board of Directors which consists of 24 community members who also ensure that all activities are carried out in a professional and ethical manner.

Centralia College and the Centralia College Foundation have a clearly defined relationship. This is represented by the agreement between Centralia College and the Centralia College Foundation aka Quid Pro Quo Agreement. (Available in Exhibit Room)

Student clubs and organizations sometimes hold fundraising activities and events. These must be approved by (and are closely monitored by) the Director of Student Programs who oversees the budgets of student clubs and organizations. They are governed by the Fundraising Policy found in the Centralia College Club and Organization Handbook.

## **Analysis**

Centralia College has had its ups and downs with state funding based on FTE's. Enrollment has declined for the past few years, but with newly developed strategic planning goals, the MART Committee, and an all-out effort to recruit and retain students, the college has raised its enrollment considerably. It is the oldest continuously operating community college in Washington state which is in itself a testimony to its survival skills and resiliency. Centralia College knows state funding tends to be fickle and usually below what is necessary to meet all the demands of its constituencies. Following an enrollment downturn, the College gathered its resources, planned for the most efficient way to meet essential activities and goals, began a campus-wide movement to promote itself, and put into place evaluation tools to assess its effectiveness. The College has adopted the three-step loop of planning, implementing, and assessing. This loop is currently in a three-year cycle of strategic planning, and although parts of it are on-going, a new cycle will begin in 2001.

The state funding uncertainty makes it difficult to know what monies will be available in the College budget for the maintenance and replacement of equipment. This is due to the fluctuations in legislative funding and the varying needs of staff, faculty, and students. To address this concern, the College needs to develop a long-term plan for the acquisition and replacement of equipment related to instruction. Staff and faculty will need to prioritize and estimate the life of the most essential equipment needs in order to give budget managers a better idea of future expenditures.

College growth and accountability have increased the workload for many staff. This concern is evident in the staffing levels of the finance and operations areas which have not kept pace with the overall growth and complexity of programs, grants/contracts, technology, and other activities of the college. This deficiency limits the finance and operation staff's ability to respond consistently and in a timely manner to requests from college employees, vendors, state and federal agencies, and community members.

### **Standard Seven Future Directions**

- Identify and prioritize long-range funding needs
- Evaluate the effectiveness of the current strategic planning priorities
- Meet the goal of the Foundation capital campaign
- Allocate funding for furniture and equipment to effectively and efficiently fulfill the purpose of the new instructional building