



Issue Date: August 2008	Effective Date: July 10, 2008	Responsible Agency: Expenditure Management	Directive No: 307
Chapter: Budgetary Control			
Directive Title: BUDGET REQUIREMENTS - REVOLVING FUNDS			

1. POLICY

In order to ensure that revolving funds operate within approved financial parameters and in accordance with their intended purposes, suitable budget, control and reporting requirements are necessary.

2. DIRECTIVE

All revolving funds with revenues in excess of \$1,000,000 must prepare budgets and financial statements that comply with the provisions outlined in this directive. Revolving funds with revenues less than \$1,000,000 must comply if directed to do so by the Financial Management Board (FMB).

3. PROVISIONS

3.1. Revolving fund budgets must be prepared annually and submitted to the FMB in a form and within the time prescribed by FMB. Budgets are to be based on accrual accounting and be consistent with generally accepted accounting principles (GAAP). Budget content must include:

- a) a description of the fund and its purpose;
- b) a list of full and part-time positions, with person year (PY) equivalency, funded by the revolving fund;
- c) an income statement, including:
 - i. operating expenses in detail;
 - ii. revenues by type, including recovery rates and how they are determined;
 - iii. projected profit/loss;
- d) a proposed capital acquisition and disposal plan;
- e) a projected balance sheet;
- f) a projected cash flow statement;

- g) comparative data from preceding budget and the most recent prior year's actual, with explanations of significant variances.
- 3.2. Budget review by Expenditure Management and approval by FMB is required.
- 3.3. Any increase or decrease to previously approved budgets must also be approved by FMB before any of the proposed changes are implemented.
- 3.4. Revolving funds are expected to operate on a breakeven or profit generation basis. Recovery rates should be set to recover costs incurred, including:
 - a) normal operating expenses; and
 - b) administrative expenses.
- 3.5. The authorized limit of each revolving fund is set by the *Revolving Funds Act* or by regulation.
- 3.6. Interim quarterly financial statements must be provided to Expenditure Management within 30 days after each quarter end, and must include:
 - a) an income statement for the period to date, with a forecast for the remainder of the period compared with the approved budget and a report providing explanations for any significant variances for the period to date;
 - b) a balance sheet; and
 - c) a cash flow statement for the period to date, with a forecast for the remainder of the fiscal year;
- 3.7. All requirements of the *Revolving Funds Act* and the *Financial Administration Act*, part VI, must be observed.
- 3.8. Any exceptions to the requirements of this directive must be approved by FMB.