

OSBHE FINANCIAL ADMINISTRATION STANDARD OPERATING MANUAL

This policy was developed prior to implementation of Banner FIS. Therefore, specific information related to the previous accounting system (FMS) is no longer relevant. This policy is made available on-line since certain general principles are still applicable. If you have questions, please contact the Controller's Division at (541) 737-3636 / cdwebmaster@ous.edu. Applicable sections of this policy will be transitioned to the new Fiscal Policy format as time and resources permit.

Section 01.05 FUND ACCOUNTING (Last Revised 01/80)

A DEFINITION - FUND ACCOUNTING

Fund accounting is a system that, for accounting and financial reporting purposes, identifies and classifies resources in accordance with conditions and limitations on the use of the resources. OSSHE uses nine funds to account for resources. Each fund serves a unique purpose and is a separate accounting entity with its own asset, liability and a fund balance accounts.

OSSHE uses the following funds which are described in FASOM 01.05B through 01.05J.

- Current Fund Group
 - Current General Fund
 - Current Auxiliary Enterprise Fund
 - Current Restricted fund
- Loan Fund
- Endowment Fund and Funds Functioning as Endowments
- Plant Fund Group
 - Unexpended Plant Fund
 - Retirement of Indebtedness Plant Fund
 - Investment in Plant Fund
- Agency Fund

B CURRENT GENERAL FUND

The Current General Fund is used to account for all unrestricted resources that are available for current operations. Funds are unrestricted when no restrictions have been placed on their use by an external funding source.

Current General Fund revenues are expendable for instruction, research, public service and related support services. These are the principal operating funds of an institution.

B01 CURRENT GENERAL FUND REVENUES

All revenues that are unrestricted and not designated as Auxiliary Enterprises are recorded in appropriate Current General Fund accounts. See FASOM 01.09 for definitions of revenue account classifications.

Sources of Current General Fund revenues include:

- State appropriations not designated for another fund.
- Student instruction fees - tuition and fees for instructional course work. Includes fees associated with a course such as equipment rental, music lesson or bowling fees. Excludes student fees for a specified purpose such as health service and building fees.
- Sales and service income of educational departments. Includes incidental receipts for services rendered, sales of supplies or materials, equipment rentals, etc. Excludes

- income from activities accounted for in the Current Restricted Fund (see FASOM 01.05D).
- Miscellaneous service fees such as entrance exam, testing, counseling and orientation fees, copying service charges, etc.
 - Investment income that is unrestricted and available for current operations, including Endowment Fund earnings.
 - Indirect cost reimbursements.
 - Unrestricted gifts, which may be transferred to Loan, Quasi Endowment or Unexpended Plant Funds as appropriate.

Tuition and fee remissions are recorded as reductions of income in a Current General Fund income account.

B02 CURRENT GENERAL FUND EXPENDITURES

Expenditures are recorded in the Current General fund based on the function served. Expenditure functions are:

- Instruction
- Research
- Public Service
- Academic Support
- Student Services
- Operation and Maintenance of Plant
- Institutional Support
- Budgeted Reserves

See FASOM 01.12 for definitions of expenditure functions.

C CURRENT AUXILIARY ENTERPRISE FUND

An auxiliary enterprise is an entity that exists primarily to furnish services to students, faculty and staff. The general public may incidentally be served by some auxiliary enterprises. The Current Auxiliary Enterprise Fund is used to account for unrestricted funds designated for the operation of auxiliary enterprises.

Auxiliary enterprises are essentially self-supporting. Sales and service fees are charged that directly relate to the cost of the goods or services. Charges are usually set so that income will equal or exceed expenses.

Auxiliary enterprises are charged for all costs of operation. These include physical plant, general institutional support, and other direct and indirect costs. Such costs may be charged directly as expenses, or as prorata allocations of the costs of the other departments or units.

There are three auxiliary enterprise account categories:

- Student
- Faculty and Staff
- Intercollegiate Athletics

C01 AUXILIARY ENTERPRISES – STUDENT

Activities primarily intended to serve the student body. Services of mutual benefit to students, faculty and staff are also in this category.

Examples:

Bookstore
Child Care Center
Dormitories
Family Housing Office
Food Service
Health Services
Housing Services

Married Student Housing
Off-Campus Housing
Residence Halls
Student Center
Student Health Center Pharmacy
Student Union
University Housing

C02 AUXILIARY ENTERPRISES - FACULTY AND STAFF

Activities primarily intended to serve faculty and staff. There may also be some incidental student benefits.

Examples:

Faculty and Staff Child Care
Faculty and Staff Recreation Center
Faculty Club
Faculty Housing

Food Services for Faculty and Staff
Health Service for Faculty and Staff
Staff Development Activities

C03 INTERCOLLEGIATE ATHLETICS

Athletic activities in which an institution participates with other institutions. Intramural sports are not included (Current General Fund, educational and general funds).

The intercollegiate athletic program must be self-supporting, but individual sports may show a profit or loss. Expenses include all costs of coaches, trainers, officiating, travel, ticket sales, advertising, etc., incurred in operating the program.

Examples:

Archery
Athletic Director
Baseball
Basketball
Bobsledding
Boxing
Cross-Country
Diving
Football
Golf
Gymnastics

Handball
Hockey
Ice Skating
Karate
Lacrosse
Paddle Ball
Pistol
Rifle
Rugby
Sailing
Skiing

Soccer
Softball
Squash
Swimming
Tennis
Track and Field
Trap and Skeet Shooting
Volleyball
Water Polo
Weight Lifting
Wrestling

D CURRENT RESTRICTED FUND

The Current Restricted Fund is used to account for resources that are available for current operations, but that are restricted to specific purposes by the donor, or the granting or contracting agency. Funds limited to use for sponsored research, specific instruction and student aid other than loans are examples.

D01 EXCLUSIONS FROM CURRENT RESTRICTED FUND

Resources with the following restrictions are not included in the Current Restricted Fund:

.... Available only for student loans. See 01.05E, Loan Fund.

- Can be used only to produce income from investment. See 01.05F, Endowment Fund and Funds Functioning as Endowments.
- Available only to construct, purchase or alter capital assets. See 01.05g, Unexpended Plant Fund.

D02 CURRENT RESTRICTED FUND OPERATING ACCOUNTS

Operating accounts are used to record revenues and expenditures involving restricted funds. The net amount in the operating accounts is the fund balance. Revenue sources include gifts, grants, contracts and restricted income from investments.

Account categories:

Instruction	Student Services
Research	Operation & Maintenance of Plant
Public Service	Institutional Support

For descriptions of the account categories, see 01.12, Expenditure and Operating Account Functions.

E LOAN FUND

The Loan Fund is used to account for resources available for loans to students, and for the loans made to students. Control accounts are used to identify fund balances that are invested in the donation investment pool.

Loan Fund accounts are classified by fund source. The classifications used are:

Institutional loan funds
Institutional matching loan funds
Government loan funds

E01 INSTITUTIONAL LOAN FUNDS

Gifts which the donor has specified are to be used for student loans. Endowment Fund investment income that is restricted to student loan purpose is applied to these accounts.

E02 INSTITUTIONAL MATCHING LOAN FUNDS

Institutional funds provided to match Federal government loan funds.

E03 GOVERNMENT LOAN FUNDS

Loan funds provided by the Federal or State government. Includes National Direct Student Loan (NDSL), Health Professionals Act (HPA), Nurses Training Act (NTA) and other government loan programs.

F ENDOWMENT FUND AND FUNDS FUNCTIONING AS ENDOWMENTS

Resources that are invested to produce income are accounted for in the True Endowment Fund, Term Endowment Fund and Funds Functioning as Endowments Fund (hereinafter collectively called Endowment Fund). Investment principal which may not be currently expended is recorded in the True or Term Endowment Fund. Funds held for investment, but not restricted as to use by the donor, are recorded in the Funds Functioning as Endowment Fund. Investment income is recorded in other funds to comply with the donor's terms or the Board's designation, or as otherwise appropriate.

F01 INCOME CLASSIFICATIONS

Income from investment is classified either as restricted, unrestricted or designated as follows:

- Restricted - The donor has placed restrictions on the use of investment income, or on the principal if it can be expended.
- Unrestricted - No special restrictions have been placed on the use of investment income.
- Designated - The Board has designated the purposes for which investment income may be expended. The donor did not restrict the use of income. Such income is placed in the Current General or Current Auxiliary Fund.

F02 ENDOWMENT ACCOUNT CLASSIFICATIONS

Endowment principal is recorded in one of the following account classifications based on the agreement with the donor.

- True Endowment Funds
- Term Endowment Funds
- Funds Functioning as Endowment Funds (Quasi Endowments)
- Annuity and Life Income Funds

True endowment funds and term endowment funds must be isolated from all other institution assets. They may not be invested in institutional property, advanced for the use of other funds, or pledged as security for any purpose.

F03 TRUE ENDOWMENT FUNDS

Donated funds which the donor has stipulated as perpetually non-expendable. Income from investing the principal may be expended according to the terms of the donation agreement or as designated by the Board. Capital gains from the sale of investments are added to the principal.

F04 TERM ENDOWMENT FUNDS

Donated funds which the donor has stipulated as non-expendable, but only for a specified time or until a stated event occurs. Until the term expires, the funds are treated as true endowments.

F05 FUNDS FUNCTIONING AS ENDOWMENT FUNDS (QUASI ENDOWMENTS)

Donated funds which the donor did not specify as non-expendable, but which the Board has designated for retention and investment as endowment funds. Because the use of these funds is subject to Board discretion, they are not true endowments.

F06 ANNUITY AND LIFE INCOME FUNDS

Property donated to an institution on condition the institution periodically pay to designated persons either:

- A stipulated amount until a specified time or event (annuity agreement), or
- The income earned on the donated assets for the lifetime of one or more designated persons (life income agreement).

Subject to the terms of the agreement, full control of both principal and income eventually passes to the institution.

G UNEXPENDED PLANT FUND

The Unexpended Plant Fund is used to account for resources that are available for capital additions and improvements.

G01 USES OF UNEXPENDED PLANT FUNDS

Funds designated for the following uses are placed in Unexpended Plant Fund accounts:

- Acquire, construct, replace, alter, renovate or repair capital assets. These include land, buildings, improvements other than buildings, and equipment and furnishings that are capitalized.
- Restoration Fund and commercial insurance proceeds for capital asset losses.
- Building repair reserves.
- Equipment replacement reserves.

G02 UNEXPENDED PLANT FUND REVENUES

The principal Unexpended Plant Fund revenue sources are:

- XI-F-(1) building bond proceeds.
- XI-G building bond proceeds.
- State appropriations restricted to Plant Fund uses.
- Student building fees.
- Income from investment of Unexpended Plant Funds.
- Grants from government agencies.
- Gifts restricted by donors to capital asset additions and improvements.
- Building use indirect cost recoveries.
- Contributions to building repair and equipment replacement reserves.

H RETIREMENT OF INDEBTEDNESS PLANT FUND

The Retirement of Indebtedness Plant Fund is used to account for funds set aside and disbursed to retire debts incurred to finance the acquisition, construction or renewal of capital assets.

H01 PURPOSE

When capital improvements are financed by bond sales, or other funds that must be repaid, accounts are established to record funds accumulated and disbursed in connection with the repayments. Funds for both principal and interest payments are included.

H02 REVENUE SOURCES

Principal revenue sources are:

- Student fees assessed to meet debt service requirements.
- Investment interest income.
- State appropriations.
- Auxiliary Enterprise earnings.

I INVESTMENT IN PLANT FUND

The value of capital assets, the liability payable on those assets, and the ownership equity (net investment) in the assets are recorded in Investment in Plant Fund accounts.

Capital assets include land, buildings, improvements other than buildings, and equipment and furnishings that are capitalized.

"Investment in plant" includes the cost of construction in progress. Interest on borrowed funds that accrues during the course of construction is charged to the Retirement of Indebtedness bond sinking fund.

I01 NET INVESTMENT IN PLANT

The acquisition value of all capital assets less outstanding liabilities equals the net investment in plant.

I02 ENDOWMENT FUND CAPITAL ASSET INVESTMENTS

Capital assets held as Endowment Fund investments are recorded in Endowment Fund accounts. They are not included in Investment in Plant Fund accounts.

J AGENCY FUND

The Agency Fund is used to account for the funds of persons or external organizations while the funds are in the custody of an institutions. The institutions acts as the fiscal agent for the owner of the funds in a principal-agent relationship.

Institutions may act as fiscal agent for students, staff and faculty, and for student, staff, faculty, alumni and other organizations associated with the institution.

Funds can be disbursed from Agency Fund accounts only as directed by the principal.