

UNIVERSITY OF MAINE SYSTEM

ADMINISTRATIVE PRACTICE LETTER

SUBJECT: FUNDING MAJOR EQUIPMENT ENCUMBRANCES AT YEAR END

During the fiscal year, E&G operating accounts may encumber funds for the purchase of goods and services. At the end of the fiscal year the budget which supports the encumbrance is cancelled and reverts to the campus incentive budgeting pool. Thus positive and negative account balances are consolidated and transferred to campus reserves.

Departments often fail to receive by year end major equipment ordered and encumbered within their budget authorization. It is possible that new departmental funds will not be available in the next fiscal year to pay for equipment ordered during the prior fiscal year and not delivered by year end.

In order to provide a procedure to permit a campus, at its option, to set aside 100% of the funds available to a department for major equipment purchases not delivered during the fiscal year, the following administrative practice is established. This practice will be applicable only to Unrestricted E&G (Fund 00) accounts.

GUIDELINES

It will be the responsibility of the Chief Financial Officer at each campus to develop written procedures for approving major equipment items for which unused departmental funds may be carried over via the transfer process to pay for major equipment that has been **ordered but not delivered** during the current fiscal year.

The University Chief Financial Officer must provide to the Office of Finance & Treasurer a listing of all equipment that is being funded by these transfers. The listing should include the name of the department providing the funds and the related chart field combination, a description of the equipment ordered, and the amount of the order. It should be received by the Office of Finance and Treasurer **prior** to the transfer of funds. If the listing has not been received at SWS by the day following the funds transfer, then the transfer will be reversed by SWS until the listing is provided. If the listing is not received by the time the books are closed, the transfer will **not** occur.

To carryover funds, a journal entry must be recorded in the ACTUALS ledger, transferring the money from the applicable department's chart field combination to the equipment carry over reserve in Fund 15. These transfer entries should be dated '06/30' and should be posted by mid-July based on Year-End Reconciliation Procedures instructions.

APPROVED:

Chief Financial Officer and Treasurer