

UNIVERSITY OF MAINE SYSTEM
FINANCIAL ACCOUNTING SYSTEM

ACCOUNT STRUCTURE

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ACCOUNT STRUCTURE

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Inherent in the structure of the account is the flexibility to be responsive to the various needs of the institution. This flexibility is attained through the utilization of variable university identifiers, ledger codes, account numbers, object codes and attributes.

The account structure is divided into two sections: General Ledger accounts and Subsidiary Ledger accounts. The General Ledger section of the Chart of Accounts is the Trial Balance of the University and as such contains Assets, Liabilities, Fund Balance, Fund Additions, Fund Deductions, Revenues and Expenditures by individual Fund. The Funds are grouped into Current Unrestricted Educational & General and Auxiliary Enterprises, Current Designated, Current Restricted Contracts and Grants, Current Restricted, Student Loan, Endowment, Unexpended Plant, Investment in Plant, and Agency. Account controls further reflect categories of assets, liabilities, fund balance, fund additions, fund deductions, revenues or expenditures. Data are reported in this section in summary form and the detail is maintained in the Subsidiary Ledger. The General Ledger accounts are used to produce a Balance Sheet, an abbreviated Revenue and Expenditure Statement, or a Source and Application of Funds Statement.

The detailed transactions are reported in the Subsidiary Ledger section which is sub-divided into Revenue and/or Expenditure accounts. Activity in these accounts is reported to line managers, account responsibility area, or by various matrices as defined. Accounts may show data on a fiscal year basis or a project-to-date basis depending on the nature or type of accounts. Data included in these accounts are budgets, current month revenue or expense, year-to-date and project-to-date revenue or expense, encumbrances, and budget balance available. A flexible object code structure and an array of attributes in these accounts allows for structuring of reports in the manner which best satisfies a requirement.

ACCOUNT CLASSIFICATION

The University of Maine System account structure is a ten-digit number with some of the digits being variable to serve multiple purposes. The breakdown of the account number can briefly be described as illustrated:

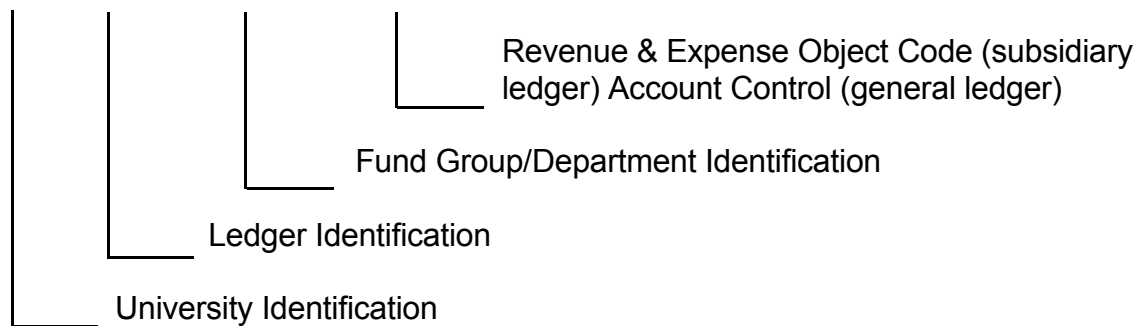
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ACCOUNT CLASSIFICATION

X - X - XXXXX - XXX



UNIVERSITY IDENTIFICATION

X - X - XXXXX - XXX

- 1 - University of Maine at Augusta
- 2 - University of Maine at Farmington
- 3 - University of Maine at Fort Kent
- 4 - University of Maine at Machias
- 5 - University of Maine
- 6 - University of Southern Maine
- 7 - University of Maine at Presque Isle
- 8 - Chancellor's Office/System-Wide Services/ Network for Education & Technology Services (UNET)
- 9 - Not used

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LEDGER IDENTIFICATION

X - X - XXXXX - XXX

General Ledger:

- 0 - General Ledger

Subsidiary Ledgers:

- 1 - Current Unrestricted Fund - Educational & General - Revenues
- 2 - Current Unrestricted Fund - Educational & General - Expenditures
- 3 - Current Unrestricted Fund - Auxiliary Enterprises - Revenues & Expenditures
- 4 - Current Designated Fund - Revenues & Expenditures
- 5 - Current Restricted Contracts & Grants - Expenditures
- 6 - Current Restricted Fund - Revenues & Expenditures
- 7 - Unexpended Plant Fund - Appropriations & Expenditures
- 8 - Unassigned
- 9 - Agency Fund - Revenues & Expenditures

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DEFINITION OF FUND GROUPS

The fundamental purpose of fund accounting is to properly account for all resources received and used. Fund accounting classifies all resources into funds according to specific limitations placed on their use by the resource providers. Classification recognizes the stewardship responsibility inherent in accepting restricted resources from external parties.

Each fund is a self-balancing set of accounts. Each fund has its own revenues, expenditures, transfers, assets, liabilities, and a fund balance. A change in fund balance represents the difference between fund additions (revenues and transfers in) and deductions (expenditures and transfers out). A fund balance is identified as the net difference between a fund's assets and liabilities.

Because of the variety of restrictions upon a higher education institution's resources, it is not unusual for even a small institution to have one hundred or more individual accounts. Large, complex research institutions can have thousands. Although each account needs to be internally monitored by the institution, for external accounting and reporting purposes similar funds are combined into fund groups.

Current Funds. Current funds are those economic resources expendable for carrying out the primary missions of colleges and universities: instruction, research, and public service. Because current funds represent the resources available for general operations, a statement of current funds revenues, expenditures, and other changes is often viewed as the operating statement of an institution. Such a statement is not required, however, and is not included in the financial statements of many institutions.

Current Unrestricted Funds. Current unrestricted funds are resources received that have no limitations or stipulations placed on them by external agencies or donors. These funds offer a range of flexibility concerning how moneys can be expended. Tuition and fee revenues and legislative appropriations are typical examples of revenue sources received as unrestricted current funds.

Current Unrestricted Educational and General Funds. These accounts support the primary missions of instruction, research, and public service and are funded by the state appropriation, tuition & fees, and interest earned on the University's cash.

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DEFINITION OF FUND GROUPS

Current Unrestricted Auxiliary Enterprise Funds. These are self-supporting auxiliary activities that provide services to students, faculty, and staff and that charge a fee to cover the cost of the provided services. Auxiliary enterprises include bookstore, residence halls, cafeterias, student unions, etc.

Current Designated Funds. These are Unrestricted Funds for which the University's Board of Trustees or administration stipulates a specific use, thereby "designating" them for that purpose only. The Board of Trustees may change the designation at any time and redesignate the funds for some other use.

The following are the purposes for which Designated accounts will be approved:

- Activities designated by the Board of Trustees.
- Internally sponsored faculty research extending beyond the fiscal year when authorized by the President.
- Cost sharing required by an externally sponsored program under the terms of Administrative Practice Letter No. 10.
- A non-credit program of Conference and Institute or Summer Clinic activity of short duration extending beyond the end of the fiscal year.
- A single Ledger 4 account may be established at each campus for unrestricted gifts not intended to be used during a fiscal year.
- Such other purposes recommended by the Presidents and approved by the Chancellor.

Current Restricted Funds. Current restricted funds are resources provided to an institution that have externally established limitations or stipulations placed on their use. At the direction of the external funding source, restrictions can be broad (for example, for scholarships) or quite specific (for example, analysis of the chemical composition of DNA).

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Sponsored research is a type of current restricted fund received by many institutions. Expected to be consumed in the near term, sponsored research funding includes explicit external instructions as to its use. This funding may lack flexibility, but it is essential to institutions actively engaged in research.

The following are the usual purposes for which restricted accounts will be approved.

- Grants and contracts.
- Campus-based student financial aid programs.
- Gifts, upon acceptance by the Board of Trustees.
- Federal appropriations awarded to support the Maine Agricultural & Forest Experiment Station and the Cooperative Extension.

Ledger 5 (fund group 3) will be used exclusively for restricted accounts under the Letter of Credit method of financing.

Ledger 6 (fund group 4) will be used for all other gifts, grants, contracts and also for distributed earnings from the endowment fund.

Loan funds. Loan funds are used to account for resources that may be lent to students, faculty, or staff; they are provided by various sources. Some money may come from federal, state, or local appropriations or from private donors, while some money may be unrestricted current funds set aside for this purpose by the governing board. Loan funds arising from gifts, bequests, governmental grants, and student fees are generally operated on a revolving fund basis, with loan and interest repayments remaining in the loan fund group for future lending. Some loan moneys may be refundable to donors under specific conditions. In all cases, the identity of each loan fund must be specifically recorded in the accounting records, with details of all transactions into and out of the account.

Endowment and similar funds. This fund group consists of endowment funds, term endowment funds, and funds functioning as endowment (also known as quasi-endowment funds).

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Endowment Funds. A true endowment fund may be established only by a donor and can never be expended. The traditional definition of an endowment fund is a fund of which only the earned income can be spent. The original principal of endowment funds must remain intact (nonexpendable) in perpetuity. However, the Uniform Management of Institutional Funds Act permits the prudent use of appreciation as well as income. If the income is restricted, it is classified as an addition to that particular fund and can be used only for the specified purpose. If unrestricted, the income should be reported in the current unrestricted fund group and can be used for any institutional purpose.

Term Endowment Funds. Term endowment funds initially function exactly like "true" endowment funds. However, after a specific period or event, as defined by the donor, the nature of the principal of the term endowment changes.

For example, University XYZ receives a term endowment gift from Pat Smith. Pat Smith specifies that the principal of this gift is to be invested for the next 20 years, with the income earned on the gift restricted to undergraduate scholarships for the School of Fine Arts. At the conclusion of the twentieth year, Pat Smith says that the principal of the original gift is to be used to establish the Pat Smith Loan Fund, which is to be used for loans to students of the School of Fine Arts. When originally received, this gift would be recognized as a direct addition to the endowment and similar funds group (as a term endowment). During the next 20 years the income earned would be credited to the current restricted funds group and expended as scholarships. When the term of the endowment expired, the principal would be an addition to loan funds and a deduction from endowment and similar funds.

Funds Functioning As Endowment. Funds functioning as endowment are also referred to as quasi-endowment funds. The decision to invest otherwise spendable resources is made by the institution's governing board or, through delegation from the board, by management. Since these are internal designations, they may be reversed. Unrestricted money received from outside the institution is first recorded in the current unrestricted fund. An addition to funds functioning as endowment is made by a nonmandatory transfer from current funds. Showing this transaction as a direct addition to funds functioning as endowment would misrepresent the sequence of the economic event, that is, a flow of funds that was initially received as spendable but was subsequently set aside by institutional action for long-term investment.

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Income from investments of endowment and similar funds may be either unrestricted income that may be used for any purpose or restricted income that must be used according to the donor's stipulations. Unrestricted income is recorded as current unrestricted funds revenues. Restricted income is recorded as restricted funds in the current or other appropriate fund group. For example, a donor might specify that income earned is to be used for loans to students, in which case it would be recorded as an addition to loan funds.

Each endowment and similar fund must be accounted for separately. Each fund has its own cash and investments, but to facilitate the investment of endowment principal the amounts may be pooled. However, separate accountability of each fund's participating interest in the pool is still required. On some occasions, a donor may restrict how moneys may be invested. Such restriction could specify the actual assets permitted for investment or could prohibit investment in the pool. These restrictions must be honored in satisfying donor intent.

Plant funds. The plant funds group is used to account for unexpended plant funds to acquire long-lived assets for institutional purposes and the cost (or fair value at time of donation) of long-lived assets (other than those of endowment and similar funds).

Agency funds. Agency funds are funds held by an institution acting as custodian or fiscal agent. The money is deposited with the institution for safekeeping, to be used or withdrawn by the depositor at will. These funds may be held on behalf of students, faculty, staff, organizations, or some other third party. Because they do not belong to the institution, these funds should be displayed as liabilities, not as fund balances. When agency assets are immaterial in amount, the assets and liabilities may be reported as assets and liabilities of the current funds group. Typical examples of agency funds are deposits by students and student organizations, publishing advances to faculty members who edit journals, college work-study funds for outside employers, and various breakage deposits.

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GENERAL LEDGER FUND GROUPS
X - 0 - XXXXX - XXX

		<u>Corresponding Subsidiary Ledger</u>
1XXXX	Current Unrestricted Fund - Educational and General	1,2
18XXX	Current Unrestricted Fund - Auxiliary Enterprises	3
2XXXX	Current Designated Fund	4
3XXXX	Current Restricted Fund - Contracts & Grants	5
4XXXX	Current Restricted Fund	6
5XXXX	Loan Fund	-
6XXXX	Endowment Fund	-
7XXXX	Unexpended Plant Fund	7
8XXXX	Investment in Plant Fund	-
9XXXX	Agency Fund	9

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GENERAL/SUBSIDIARY LEDGER ASSOCIATION

<u>General Ledger Fund Groups*</u>	<u>Fund Groups</u>	<u>Subsidiary Ledgers*</u>	<u>Revenue Expenditure</u>
0 - 10000	Current Unrestricted Fund	1-XXXXX 2-XXXXX	R E
0 - 18XXX	Auxiliary Enterprises	3-18XXX	R & E
0 - 2XXXX	Current Designated Fund	4-2XXXX	R & E
0 - 3XXXX	Current Restricted - Contracts & Grants	5-3XXXX	E
0 - 4XXXX	Current Restricted Fund	6-4XXXX	R & E
0 - 5XXXX	Loan Fund	-	-
0 - 6XXXX	Endowment Fund	-	-
0 - 7XXXX	Unexpended Plant Fund	7-7XXXX	E
0 - 8XXXX	Investment in Plant	-	-
0 - 9XXXX	Agency Fund	9-9XXXX	R & E

* XXXX Same Number for Both GL/S