

NMSU Accounting System Overview

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Fund Groups/Account Classification

(Note: GASB 335 supersedes fund groups for financial statement reporting)

A fund is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, a fund balance, and changes in the fund balance. Separate accounts are maintained for each fund to insure observance of limitations and restrictions placed on the use of resources. For accounting and reporting purposes, however, funds of similar characteristics are combined into fund groups.

Current Operating Funds: Current funds are economic resources expendable and set aside by the institution for carrying out the primary purposes of colleges and universities: instruction, research, and public service.

Revenues of current funds include tuition and fees; governmental appropriations; governmental grants and contracts; private gifts, grants, and contracts; endowment income; sales and services of educational activities, sales and services of auxiliary enterprises; and expired term endowments. For the purposes of financial reporting, expenditures of current funds, such as salaries, benefits, and acquisition of goods and services are grouped, financial reporting, into the functional categories of instruction, research, public service, academic support, student services, institutional support, and auxiliary enterprises.

Assets and liabilities of current funds are generally limited to current assets and liabilities, or longer-term assets and liabilities where balances are not material. Assets include but are not limited to cash, short-term investments, accounts receivable, inventories, prepaid expenses, and deferred charges. Liabilities include (but are not limited to) accounts payable, notes payable, accrued liabilities, deposits, and deferred revenues. Plant and associated long-term debt are included in plant funds.

Current funds traditionally have been separated between current unrestricted and current restricted.

Current Funds – Unrestricted: Current unrestricted funds are resources received by an institution that have no limitations or stipulations placed on them by external agencies or donors, and that have not been set aside for loan, endowment, annuity or life income, or plant purposes. Current unrestricted funds include current resources that have internal designations placed by governing boards or institutional management.

Current Funds – Restricted: Current restricted funds are resources provided to an institution that have externally established limitations or stipulations placed on their use, but are intended to be used for current purposes. At the direction of the external funding

source (for example, individual, corporation, foundation, or governmental agency), restrictions can be broad (e.g., use for scholarships) or quite specific (e.g., to analyze the chemical composition of a DNA molecule).

Loan Funds: Loan funds are used to account for resources that may be lent to students, faculty, or staff. These funds are provided by various sources. Moneys may come from appropriations or from private donors, while some money may be unrestricted current resources 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.

Endowment and Similar Funds: Endowment and similar funds represent resources that have been set aside and invested, either as required by the provider of the resources or as determined by the institution's governing board or management. Income from the investment may be set aside for purposes required by the provider of the resources (restricted) or in any manner determined by the institution (unrestricted).

Permanent Endowment Funds: A true endowment fund may be established only by a donor and can never be expended. The original principal of endowment funds must remain intact (nonexpendable) in perpetuity, and only the income earned (dividends and interest) can be expended.

Term Endowment Funds: Term endowment funds are similar to endowment funds except that, upon the passage of a stated period of time or the happening of a particular event, all or a part of the principal may be expended.

Funds Functioning as Endowment (Quasi-endowment Funds): Quasi-endowment funds are unrestricted resources. The decision to invest otherwise spendable resources is made by the institution's governing board or, through delegation from the board, by management.

Plant Funds: The plant funds group is used to account for unexpended plant funds to acquire long-lived assets for institutional purposes; funds set aside for the renewal and replacement of institutional properties; funds set aside for debt service charges and retirement of indebtedness on institutional plant; and the cost (or fair value at time of donation⁰ of long-lived assets (other than those of endowment and similar funds) and the sources from which the cost is funded, including associated liabilities.

For self-balancing subgroups are provided for in the plant funds group: unexpended plant funds, funds for renewals and replacements, funds for retirement of indebtedness, and investment in plant.

Unexpended Plant Funds: The purpose of the unexpended plant funds subgroup is to account for the unexpended resources derived from various sources to finance the acquisition of long-lived assets and the associated liabilities.

Funds for Renewals and Replacements: The resources of the funds for renewals and replacement subgroup provide for the renewal and replacement of plant fund assets as distinguished from additions and improvements to plant. Some portion of renewals and replacements may be capitalized as additions to plant.

Funds for Retirement of Indebtedness: The purpose of the retirement of indebtedness subgroup is to account for the accumulation of resources for interest and principal payments and other debt charges, including contributions for sinking funds, relating to plant fund indebtedness.

Investment in Plant: The investment in plant subgroup includes all long-lived physical assets in the service of the institution and all construction in progress as well as all associated liabilities.

The sources of assets for the investment in plant subgroup include:

- The capitalized completion costs of projects transferred from the unexpended plant funds and funds for renewals and replacements subgroups,
- Capitalized costs of construction in progress transferred from unexpended plant funds and funds for renewals and replacements,
- Donations (at fair market value on the date of the gift) of plant assets, and
- The cost of long lived assets financed by expenditures of current funds.

Agency Funds: Agency funds are resources held by an institution acting as custodian or fiscal agent. The resources are 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. Typical examples of agency funds are deposits by students and by student organizations.