

PENSACOLA STATE COLLEGE
MANUAL OF PROCEDURES

Procedure Title:	Accounting/Funds	<u>Number</u> 504
Related Policy:	Accounting – 6Hx20-5.001	<u>Page</u> Page 1 of 5

I. Purpose

The purpose of fund accounting is to classify resources according to restrictions and limitations placed on them to provide information which is sufficient to determine whether proper use has been made of those resources. Although separate accounts are maintained for each fund, those funds with similar characteristics may be combined for reporting purposes.

II. Procedure

A. Funds and Fund Groups

Fund Number	
1	Current Funds – Unrestricted
2	Current Funds – Restricted
3	Auxiliary Funds
4	Loan, Endowment, Annuity, and Life Income Funds
5	Scholarship Funds
6	Agency Funds
7	Unexpended Plant and Renewals/Replacement Funds
8	Retirement of Indebtedness Funds
9	Investment in Plant Funds

B. The Major Fund Groups for reporting purposes are shown below.

Current Fund Group	
Unrestricted	Restricted
1 – Current Funds – Unrestricted	2 – Current Funds – Restricted
3 – Auxiliary Funds	5 – Scholarship Funds

Non-Current Funds		
Loan, Endowment, Annuity, and Life Income	Plan Fund Group	Agency
4 – Loan, Endowment, Annuity, and Life Income	7 – Unexpended Plan and Renewals/Replacement	6 – Agency
	8 – Retirement of Indebtedness Funds	
	9 – Investment in Plant Funds	

C. **Loan Definitions**

1. **Fund 1 – Current Funds – Unrestricted**

This fund is used to account for those economic resources which may be used to accomplish the primary and supporting objectives of the College. The only restrictions on the resources of this fund are those imposed by law, regulation or the budget. Resources accounted for in this fund have no restrictions imposed by external agencies and it is anticipated that such resources will be utilized in the near term. All direct instructional activities of the College are accounted for in this fund or the Current Funds - Restricted.

2. **Fund 2 – Current Funds – Restricted**

As in Fund 1, this fund is used to account for those economic resources which may be used to accomplish the primary and supporting objectives of the College; however, such resources have been restricted by donors or other outside agencies. Local Boards of Trustees may not create restricted funds, the restrictions must be imposed by agencies or individuals outside the College. Examples of restricted current funds would be gifts or grants received which may be used only for specified purposes or programs. Restricted funds received for construction, loans or scholarships are not credited to this fund since they are not available for current operations. Likewise, laboratory fees, financial aid fees, parking fees, etc., are not accounted for in this fund. Student activity fees may be recorded in this fund and expenditures accounted for thereto.

3. **Fund 3 – Auxiliary Funds**

Auxiliary enterprises are established primarily to provide non-instructional services for sale to students, faculty, staff and which are intended to be self-supporting. The general public may be incidentally served by auxiliary enterprises, although that is not their primary purpose. Fees charged by auxiliary enterprises are related to, but not necessarily equal to, the cost of the goods or services provided.

Service departments may be accounted for in this fund if it is the policy of the College to operate the department on a self-supporting basis. This would require that the charges for the goods or services of the service department be adequate to recover all costs of operation including personnel expense. If it is the policy of

the College to recover less than the full cost of operation of the service department, it should be accounted for in Fund 1. Service departments are those established to serve other departments of the institution and not to serve faculty, staff or the general public.

4. Fund 4 – Loan, Endowment, Annuity and Life Income Funds

Loan funds are those resources available for loans to students regardless of whether the institution is responsible for the collection of the loan. Separate accounts should be maintained within the loan fund to indicate the source of funds and the restrictions, if any, on their use. Interest earned on loans as well as income and gains from investments of loan funds should also be accounted for in this fund.

Endowment funds are those for which an outside agency or source stipulated that the principal of the fund is not expendable.

Term endowments are accounted for as regular endowments, except that all or part of the principal may be expended after passage of a stated period of time or the occurrence of a particular event.

Quasi-endowments are funds that the governing board, rather than an outside agency, has determined are to be retained and invested. The principal and income may be utilized at the discretion of the board, subject to any donor-imposed restrictions on use.

Temporarily invested assets of the current or other funds are not quasi-endowments, and should be shown as investments of the current or other funds.

Endowment funds of all types are classified as “restricted” if the income may be used only for certain designated purposes, such as scholarships or student loans. They are classified as “unrestricted” if the income may be used without restriction for any purpose by the College.

Annuity funds consist of assets acquired by an institution under agreements whereby money or other property is made available to an institution on condition that it bind itself to pay stipulated amounts periodically to the donor or other designated individuals, which payments are to terminate at the time specified in the agreement.

Life income funds consist of charitable remainder trusts for which the institution is trustee and remainderman.

These aforementioned funds are grouped together, but should be disclosed or reported separately if significant in amount.

5. Fund 5 – Scholarship Funds

This fund is used to account for resources available for awards to students which are not in payment for services rendered to the College and will not require repayment to the College. This category includes awards made to students as a result of selection by the institution or from an entitlement program. Recipients of grants are not required to perform a service to the institution nor are they expected to make repayment. If services are required in return for the financial assistance (i.e., College Work Study Program), the charges are not classified as scholarships, but should be charged to the organization or department which received the services. Financial Aid fees and expenditures accounted for thereto may be recorded in the Scholarship Funds. In those instances where the College has custody of the funds, but does not select the recipient and the funds are not based on entitlement, the funds will generally be accounted for in the Agency Fund.

6. Fund 6 – Agency Funds

This fund is used to account for resources held by a college as custodian or fiscal agent for others, such as funds of student or staff organizations, clubs and temporary revenue and expenditure accounts which serve as clearing accounts for the College.

Transactions of Agency Funds usually represent charges or credits to the individual asset and liability accounts. If a college wishes to, however, it may use its regular revenue and expenditure codes to record Agency Fund transactions.

It is usually desirable to class agency accounts into two groups:

- a. Clearing Accounts: Temporary accounts to aid the college in distributing income and expenditures between funds.
- b. Organizations: Activities of students, staff or faculty or other organizations indirectly related to the college.

7. Plant Funds

This group of funds, consisting of the Unexpended Plant and Renewals/Replacement Funds, the Retirement of Indebtedness Funds and the Investment in Plant Funds is used to account for funds to be used for construction, facilities rehabilitation purposes, funds accumulated for retirement of indebtedness on plant properties and funds already expended for plant properties.

Real property which is the investment of endowment and similar funds is not included here. Plant Funds will be carried in the accounts and records as three separate self-balancing funds which will be presented in financial reports as sub-funds of the Plant Fund section.


8. Fund 7 – Unexpended Plant and Renewals/Replacement Funds

This fund is used to account for resources that are available for the acquisition or construction of physical property to be used for institutional purposes and

resources designated for the major repair and/or replacement of institutional property, as well as associated liabilities.

9. Fund 8 – Retirement of Indebtedness Funds
This fund is used to account for the long-term debt of a college and for the resources which will be used to retire the debt and pay the interest on the obligation(s).

10. Fund 9 – Investment of Plant Funds
This fund is used to account for the cumulative costs of plant assets and associated liabilities. The assets consist of:
 - a. Land
 - b. Buildings
 - c. Other Structures and Improvements
 - d. Furniture, Machinery and Equipment
 - e. Books and Films
 - f. Data Software
 - g. Construction in Progress
 - h. Assets Under Capital Lease

Responsible Official: Vice President, Business Affairs
President's Signature:  Date: 02/21/2017