

Section 02.03

FUND GROUPS AND FUND GROUP CLASSIFICATION

University accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified into funds in accordance with the activities or objectives specified and separate accounts are maintained for each fund.

Current Funds – Non-Restricted

Funds that are available for current operations and include those for unrestricted as well as those for restricted purposes. Unrestricted Current Funds, supported primarily by state appropriations and student fees, are divided into three groups: Educational and General (E&G) Funds, which provide funding for expenditures for current operating costs of the university as budgeted and appropriated by the Board of Trustees; and Designated Funds, which are assigned by administrative action for support of specialized and continuing activities, and Auxiliary Funds, supported by charges directly related to the cost of the goods and services provided.

Educational and General (E&G) Funds (Accounts 100000-199999)

Sources of funds are state appropriations, including general revenue funds, appropriations for employee benefits (FICA, TRS, ORP, Workers Comp) and Higher Education Funds (HEF). Also, included in E&G are statutory tuition, board authorized tuition (graduate tuition), laboratory fees, fees for individualized instruction, indirect cost recovery from grants, and income from educational activities. Biennially, in the General Appropriations Act (GAA), universities are allocated general revenue funds based on formulas calculated by the Texas Higher Education Board. In the GAA, each institution's methods of financing are segregated as either funded through the General Revenue Fund or General Revenue Fund- Dedicated. The "Dedicated" amounts are attributed to revenues generated by the university and submitted to the state, and are subject to be drawn down as costs are incurred or as reimbursements for eligible expenses. While the General Revenue fund is subject to lapse if not spent within a fiscal year, the "Dedicated" portion, the amounts attributed to the university, do not lapse, are available in subsequent years if not spent.

Designated Funds (Accounts 200000-269999 and 280000-299999)

Sources of funds are designated tuition (formerly the Building Use Fee) and other fees collected by the institution for support of educational functions of the university. Fees collected as Designated funds may be statutorily authorized under specific legislation, or through 54.504 (optional incidental fee) or 55.16(c) (mandatory incidental fees) of the Education Code. These

fees include Course Fees, Library Fees, Publication Fees, International Education and Technology Fees.

Designated Funds – Service Departments (Accounts 270000-279999)

Service Departments are activities that provide goods or services to departments of the university. They include operations such as Physical Plant Services, Central Stores, Communication Services and Printing and Duplicating Services. Costs of the services provided by these departments are offset by the charges to various university departments. Revenues and expenses associated with service departments are recognized in a manner similar to transfers, and are eliminated during the reporting process. Service department charges to university accounts are usually called Interdepartmental Transfers or IDT's for short.

Auxiliary Enterprises and Service Departments (Accounts 300000-399999)

Unrestricted Current Funds supported primarily by charges directly related to the cost of goods and services provided. They are combined for reporting purposes. Auxiliary Enterprises are activities for the benefit of students, the general public, faculty and staff. They include activities such as Residence Halls, Food Service, Hospitals, Bookstores, Parking and Athletics. Fees collected to support non-E&G supported activities, such as Student Service Fees, Health Center Fees, University Center Fees, Recreation Center Fees are recognized here. At some institutions, transfers from Designated Tuition and other designated sources are used to support Athletics and other student services that do not generate enough revenue to support themselves. E&G transfers are not allowed to support Auxiliary enterprises.

Restricted Current Funds (Accounts 400000-699999)

Restricted Funds of the university are funds generated by external sources which restrict the use of the funds. Sources of funds are federal grants and contracts, state grants and special appropriations, and gifts and grants from private sources, and restricted distributions from endowments. Restricted grant and contract funds are not earned until all of the terms of the agreement under which they were given to the university have been met. Therefore, revenue is generally recognized to the extent of expenditures. Restricted gift funds are recognized as income when pledged. Therefore, revenue may exceed expenditures in these accounts.

Loan Funds (Accounts 070000-070999)

Loan Funds are funds that are held by the university, specifically for making loans to students. These funds are derived from a number of sources, including private and governmental gifts and grants, federal borrowing and unrestricted allocations. Interest income, in most instances, is returned to this fund as an increase to the available fund balance.

Endowments and Funds Functioning as Endowments (Accounts 074000-076999)

Gifts to the university that have been restricted by donors to the extent that only income derived from the investment of gift principal may be expended and funds designated by administrative decision for similar use. Reporting as a part of this group are several Life Income Estates in which donors have reserved rights to occupancy or income for their and/or their beneficiaries' lifetime, after which any and all benefits revert to the university. Income from the Endowments is distributed to unrestricted or restricted fund groups according to the designation of the donor, and recognized as income in the fund that receives the distribution.

Plant Funds (Four Categories) (Accounts 800000-899999)

1. **Unexpended Plant Fund** is established to record expenditures for capital improvements and major maintenance of the physical facilities of the university. Funds are provided primarily by issuance of bonds or notes, allocations from Current Funds and gifts. Unexpended Plant Fund accounts generally are used to capture costs of projects that may overlap fiscal years, or are considered major improvements. These funds may be restricted by external parties or unrestricted.
2. **(Optional) Renewal and Replacement Fund** is used to provide funds to cover the cost of major building repairs and equipment replacements that do not meet capitalization thresholds. Transfers from Current Funds provide resources for these projects. These funds may be restricted by external parties or unrestricted. This fund may be combined with Unexpended Plant Fund.
3. **Retirement of Indebtedness Fund** is established for the payment of debt obligations resulting from financing of construction or acquisition of physical facilities. Funds for payment of annual debt service are provided through net earnings from housing, parking and hospital facilities operations; allocation of student fees; earnings from investments of funds on deposit with trustee banks; and federal interest subsidy grants, and state appropriations.
4. **Investment in Plant Assets** are stated at cost or amounts assigned at date of gifts, less accumulated depreciation, computed on straight-line basis over the estimated useful lives of the assets. Fund Balance for Investment in Plant is the net asset value less the outstanding indebtedness of the capital assets. Equipment and related accumulated depreciation are removed from the record at the time of disposal.

Agency Funds (Accounts 900000-999999)

Funds held for others for which the University acts as custodian or fiscal agent on behalf of the payor. Revenues and expenses are not recognized in these accounts, so no fund balance exists for these accounts. Only balance sheet accounts (typically only cash and the related liability) are maintained on these accounts.

For extensive definitions with examples see NACUBO e-FARM or other authoritative higher education accounting reference materials.