

*University of Missouri*  
COLUMBIA · KANSAS CITY · ROLLA · ST. LOUIS

*Fund Accounting for  
Governmental Organizations*

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# Learning Objectives

- To understand:
  - Basics of fund accounting:
    - What is it?
    - Why do we use it?
  - Fund accounting at the University
  - Fund accounting responsibilities

# Definitions

- Fund – A self-balancing set of accounts where  $\text{Assets} = \text{Liabilities} + \text{Net Assets}$ .
- GASB – Governmental Accounting Standards Board – the private sector body who sets the accounting rules for state and local governments.
- Grant – Activity funded by an external entity (sponsor) for a specific purpose.

# Definitions

- Gift – Cash or gift in-kind for which the use is restricted by the donor and no direct benefit is received by the donor.
- Endowment – A gift where the original principal remains intact for a period of time.
- Property, Plant, and Equipment (Plant) – Capital expenditures providing benefit for many years costing more than \$5,000.

# What is Fund Accounting?

- Accounting system to separate all financial transactions into categories based on:
  - Related activities
  - Source and use of monies
  - Restrictions on time and/or purpose
- Each Fund is a self-balancing set of accounts
- Not a separate legal entity

# Why use Fund Accounting?

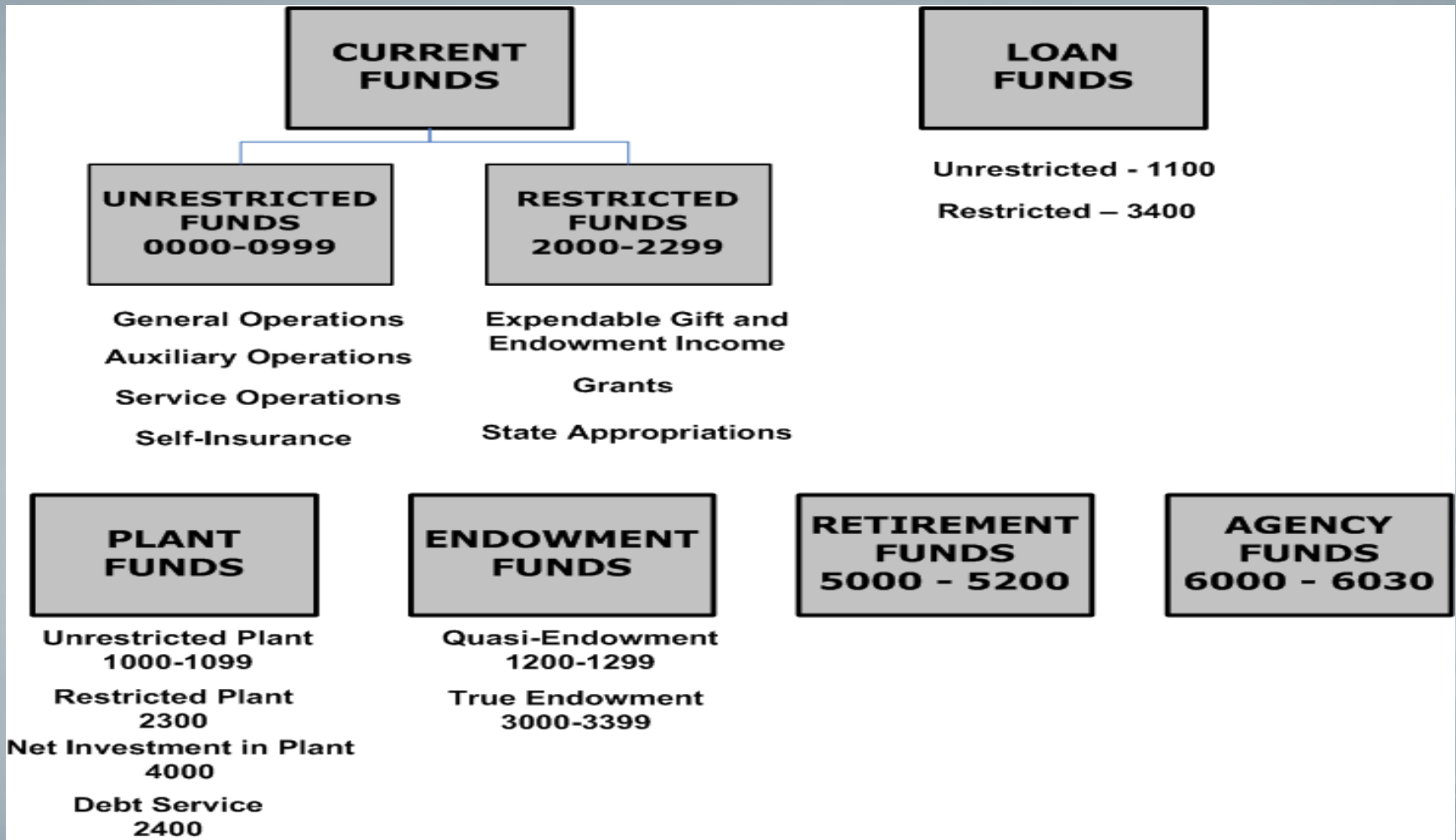
- Required for external financial reporting
  - Governmental Accounting Standards Board
  - Requirements for governmental universities
- Compliance with external restrictions
  - Restrictions differ by source
  - Various reporting requirements
  - Provide accountability and control

# Risks of Using Incorrect Fund

- Non-compliance with external restrictions
  - Penalties and other legal implications
  - Repayment of monies
  - Damage to reputation, such as Donor or Grantor
- Improper management decisions based on inaccurate **reporting**
- Jeopardize future funding sources

# University Funds

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# Characteristics of Funds

- Characteristics addressed:
  - The nature of the fund's activities
  - The source and use of monies
  - The restrictions on the funds and by whom
  - Any unique reporting requirements
  - The level at which the funds are managed

# Unrestricted Funds

- University internally decides how to spend these funds.
- May be internally restricted by:
  - Board of Curators
  - Senior Management
  - Other
- External approval not required to change use.

# Current Funds - Unrestricted

- **General Operating - Fund 0000**
- Example activity includes:
  - State appropriations
  - General revenue allocations to units
  - Salaries and benefits
  - Activities related to core mission
- Managed by all levels

# Current Funds - Unrestricted

- **Auxiliary - Funds 0100 - 0699**
- Example activity includes:
  - Bookstore
  - Dining and Housing
  - Athletics
- Managed by unit/department

# Current Funds - Unrestricted

- **Service Operations - Funds 0700 - 0899**
- Example activity includes:
  - Telecommunications
  - Printing
  - Campus Facilities
- Managed by unit/department

# Current Funds - Unrestricted

- **Self-insurance - Funds 0900 - 0999**
- Example activity includes:
  - Automobile
  - Medical and Dental
  - Malpractice
  - Worker's Compensation
- Managed by UM System

# Restricted Funds

- External parties determine how resources are expended. Restrictions include:
  - Donor
  - Federal, State, other laws
  - Granting agencies
- External approval required to change use
  - Restrictions differ by source of funds
  - Different reporting requirements

# Current Funds - Restricted

- **Expendable Gifts and Endowment Income Funds 2000 - 2009**
- Example activity includes:
  - Gifts restricted as to time/purpose
  - Expendable income earned on endowment principal
- Managed by college/department
- Reporting to donors



# Current Funds - Restricted

- **State Appropriations - Funds 2010 – 2099**
- Example activity includes:
  - Missouri Institute of Mental Health
  - Missouri Kidney Program
  - Telehealth
- Managed by college/department
- Reporting to the State

# Current Funds - Restricted

- **Grants - Funds 2100 - 2299**
- Example activity includes:
  - Grants and contracts – government and private sponsors
  - Program income earned on grant activity
- Managed by all levels
- Reporting to sponsor

# Loan Funds

- **Loan** funds include:
  - **1100** – Unrestricted
  - **3400** – Restricted, External restrictions
- Example activity includes:
  - Student loans issued and repayment
  - Federal Perkins Loan program
- Managed by Campus Financial Aid
- Reporting to loan agencies

# Plant Funds

- Plant Funds include:
  - **1000 - 1049** – Unrestricted plant
    - Repair and renovation for auxiliary/service operations
  - **2300 - 2399** – Restricted expendable plant
    - Purchases of equipment from gift funds
    - Infrastructure projects (roads, buildings)
- Managed by campus/department
- Financial statement reporting and disclosures

# Plant Funds

- Related Plant Funds include:
  - **2400 - 2420 - Debt Service**
    - Debt issued to finance capital projects
    - Repayments of principal and interest on long-term debt
  - Extensive reporting and compliance requirements
  - Managed by UM System

# Endowment Funds

- Endowment Funds include:
  - **1200 - 1299** – Quasi - Unrestricted
  - **3000 - 3399** – Restricted Endowments
- Example activity includes:
  - Endowed professor's chair
  - Student scholarships
- UM System manages investment and income distribution
- Reporting to donors

# Retirement Funds

- **Retirement - Funds 5000 - 5200**
- University has fiduciary responsibility
- Example activity includes:
  - Contributions to the retirement fund
  - Payment of retiree benefits
  - Investment of funds
- Extensive reporting and compliance requirements
- Managed by UM System

# Agency Funds

- **Agency - Funds 6000 - 6030**
- University is custodian of funds
- Example activity includes:
  - University Club
  - State Historical Society
  - Privately funded student scholarships
- Managed by unit designated as Agent
- Reporting determined by agency



# Fund Accounting Responsibilities

- Understand fund restrictions for activities including:
  - Depositing and expending monies
  - Internal and external financial reporting
  - Charging other units
  - Creating journal entries and cost transfers

# Concluding Points

- Fund accounting helps us:
  - Comply with financial reporting requirements
  - Ensure compliance with restrictions
  - Demonstrate accountability and control
  - Achieve our core mission and goals

# Knowledge Check

- The following three questions reinforce key concepts of this session.

# Question 1

A fund is a separate accounting entity, not a separate legal entity.

- True
- False

# Question 2

Restricted funds require approval from an external party before the University can change their use.

- True
- False

# Question 3

Which of the following is a potential risk of using the incorrect fund when reporting financial activity?

- a. Penalties
- b. Repayment of monies
- c. Damage to the University's reputation
- d. All of the above

# Additional Information

- Accounting Policy Manual: [APM 3.50.30 - Fund ChartField](#)
- Other related training available:
  - [Financial Compliance Training Website](#)
  - Contact your Accounting or Sponsored Programs Office for departmental training sessions or further discussion

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