

UNDERSTANDING MONMOUTH UNIVERSITY'S GENERAL LEDGER

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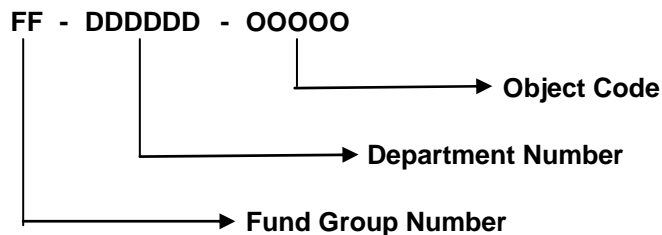
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ACCOUNT STRUCTURE

Account Composition

The General Ledger is the official financial record of the University. The General Ledger account is comprised of three components: Fund Group, Department, and Object Code. The 2-digit Fund Group number specifies which fund group, (e.g., Current Unrestricted, Current Restricted) the account belongs to. The 6-digit Department number specifies which department, project, grant, or other cost center the account records transactions for. The 5-digit Object Code specifies, within the Department, what objects of expenditure (e.g., Supplies, Subscriptions) or revenue (e.g. Tuition, Private Gifts) is being recorded. (See Attachments I, II, and III for values for the fund group, department, and object code.)



MANAGING ACCOUNTS

Budgeted Expenditure Accounts

Budgeted expenditure accounts are in the account blocking of 00-6xxxxx-xxxxx, and are used to record budgeted expenditures only (no revenue). The budgets and actual expenditures of salary budget lines (object code blocking 100xx), except for student payroll lines (Object Codes 10004 and 10005), are controlled by central administrative offices. Non-salary and student payroll lines are the responsibility of the budget managers within the department, school, or division.

It is the responsibility of budget managers to ensure that only expenses for appropriate University business is charged to these accounts. It is also the responsibility of budget managers to ensure that for any budgeted line, expenditures plus encumbrances (for purchase orders) do not exceed the budget of that line. If additional budget dollars are needed to cover an expense, a Request for Budget Revision form should be completed and forwarded to the University Budget Office. This budget revision should increase the

expenditure budget of the line for which the expense is to be processed and decrease the expenditure budget of some other line within the same account or some other account with the approval of that account's budget manager. Lastly, it is the responsibility of budget managers to ensure that total non-salary expenses in the account do not exceed the total non-salary budget for the account.

The University's fiscal year starts July 1 and ends June 30. Budget amounts in budgeted accounts are allocated annually and no funds are carried forward into the following fiscal year. Therefore, budget amounts allocated in the current fiscal year must be expended on materials and services received by June 30 of the current fiscal year. Purchase Requisitions for materials and services to be received after June 30 of the current fiscal year may be sent to the University Purchasing Department for processing clearly marked with the new fiscal year (200X-200X).

To properly manage their accounts, budget managers must monitor the accounts that they are responsible for. To do this, the Controller's Office provides budget managers, and their delegates, access to Budget.View. In Budget.View, managers may view their actual expenditures, outstanding orders, current budget, and budget balance available for each budgeted line and for the total account.

Restricted Gift Accounts

Restricted gift accounts are in the account blocking 10-3xxxxx-xxxxx and may be used to record donor restricted revenue, expense, and fund balance. Unlike the budgeted expenditure accounts described above, restricted gift accounts are not budgeted, but rather, are managed on a cash basis, similar to a checking account. Deposits or transfers into these accounts are recorded as credits to the account and displayed as numbers with a negative sign. Disbursements and transfers out from these accounts are recorded as debits and displayed as positive numbers (numbers with no sign). If the total of the account is a credit balance (displayed with a negative sign) then that balance is available to be expended. If the total of the account is a debit balance (no sign) the account is considered to be in an overdraft position which must be rectified. To truly determine if your account has a credit balance or is in an overdraft position, any encumbrance balance from outstanding purchase orders should be deducted from the account balance as well. It is the Budget Manager's responsibility to prevent these accounts from becoming in an overdraft position. In the event a restricted gift account is in an overdraft position, expenses must be moved to another account. This can be accomplished by writing to the Controller's Office noting expense items to be transferred and the account to which these expense items should be transferred to.

In addition, it is the responsibility of the Budget Manager to ensure that only expenses satisfying the restricted purpose specified by the donor are charged to these accounts.

Due to an accounting rule referred to as the "First Dollar Rule", at fiscal yearend unexpended funds restricted by the donor to a department, school, or division, without

more specific donor restrictions, will be transferred to the department's, school's, or division's designated account. Restricted accounts in which it is determined contain unexpended donor restricted funds for purposes more narrowly defined than for the department, school, or division will be carried forward into the following fiscal year.

Designated Accounts

Designated accounts are in the account blocking 01-2xxxxx-xxxxx and 01-3xxxxx-xxxxx, and may be used to record designated revenue, expense, and fund balance. Designated Accounts are assigned for university activities for which the revenue is unrestricted (by donors), but the University has designated the revenue for a specific purpose (e.g., Continuing Education). Designated accounts are managed the same as restricted accounts above. It is the responsibility of the Budget Manager to ensure that the total account balance, less any encumbrance balances, is not in an overdraft position. In the event a designated account is in an overdraft position, expenses must be moved to another account. This can be accomplished by writing to the Controller's Office noting expense items to be transferred and the account to which these expense items should be transferred to.

Funds available at fiscal yearend on designated accounts will be carried forward into the following fiscal year.

Lab Fee Accounts

Lab Fee accounts are a special application of the Designated Account and may be found in the account blocking 01-210xxx-xxxxx. Lab Fee accounts were set up to record the receipt of student lab fees in separate accounts to allow departments to expend these funds directly on the costs of running instructional labs. Since lab fee income is received at the beginning of the Fall and Spring semesters, only approximately half the projected lab fee revenue is credited to these accounts in September of each year. To allow departments to expend the entire amount of projected lab fee revenue any time during the year, budgets equaling an estimate of the entire year's revenue have been placed on these accounts. Therefore, during the Fall semester, departments may expend up to the beginning balance plus the annual budget. Once the Spring fees are credited to these accounts, department's expenditure's must not exceed the beginning fund balance plus actual revenue credited to the account. In other words, once the Spring fees have been credited to your account, the budgets should be ignored and the account should be managed, like other designated funds, on a cash balance basis.

Endowment Restricted Expenditure Accounts

These are restricted accounts that are funded by endowment investment returns and may be found in the account blocking 10-xxxxxx-xxxxx and contain the endowment income Object Code 06400. In order to reserve the purchasing power of the University's endowment principal, the University follows an investment return spending policy on pooled endowment investments. The spending rate may be adjusted by the governing board to reflect current conditions in maintaining a prudent spending policy. The currently approved formula for annual spending uses a 36 month average fair value and applies a 5.0% spending rate to the average.

At the beginning of the fiscal year this approved spending amount is recorded in the Endowment Restricted Expenditure accounts as offsetting revenue and expenditure budgets. The revenue budget is posted to Object Code 06400, Endowment Income, and the expenditure budget is posted to an appropriate expense Object Code. Departments may expend up to the sum of any fund balance brought forward from prior years plus the expenditure budget. At fiscal year end, the approved spending amount is posted to actual revenue and any unexpended endowment revenue is returned to the endowment's principal to be reinvested supporting the restricted purpose of the endowment (see following endowed chair exception).

The fiscal year end procedures for endowed chair expenditure accounts differ from the other endowed expenditure accounts described above. On endowed chair expenditure accounts, any unexpended portion of their annual non-salary support allowance at fiscal year end is carried forward to the following fiscal year.

Government and Privately Funded Grant and Contract Accounts

These are restricted accounts that are funded by either government agencies or private foundations. These accounts may usually be found in the account blocking 10-3xxxxx-xxxxx, but can also be found in other fund group blockings such as 40-240xxx-xxxxx. These accounts can be recognized by the existence in the account of a grant or contract revenue object code (04xxx).

On occasion, grant or contract funds are received by the University at the beginning of the project. Most often, funds have not been received, but upon receipt of a fully executed award letter or contract, the Controller's Office will assign an account to allow the principal investigator to begin charging appropriate expenditures. As funds are expended, the Grant Accountant, Controller's Office, will invoice the government agency or private foundation for reimbursement of expended funds according to the terms of the grant letter or contract. This invoice will be recorded by the Grant Accountant as an increase (debit) to agency or foundation receivable and an increase (credit) to grant or contract revenue.

It is the responsibility of the project's Principal Investigator (PI) to monitor online the grant or contract account throughout the grant or contract period to ensure that the charges are within the scope of the project and in line with the project budget. In addition, all charges to the grant or contract account are reviewed by the Grant Accountant. Budgets will not appear on these accounts if the grant or contract period is not consistent with the university's fiscal year. In these instances monitoring the grant or contract budget must be done by viewing the account online and comparing that information to the grant or contract hardcopy budget.

Unexpended grant or contract funds at the end of the fiscal year will be carried forward to the next fiscal year if additional time exists within the grant or contract period. Unexpended grant or contract funds at the end of the grant or contract period are subject to the terms of the grant or contract.

DEBITS, CREDITS, AND DOLLAR AMOUNT SIGNS

Recognizing Debits and Credits

The dollar amount signs in the General Ledger can be confusing. In general, debit amounts are displayed as positive numbers, while credit amounts are displayed as negative amounts.

Revenues (actual and budget) - increase by credit (or negative) amounts.

Expenditures (actual and budget) - increase by debit (or positive) amounts.

Fund Balances - increase by credit (or negative) amounts.

Revenue budget balance available that is negative - means that additional actual revenue needs to be credited or deposited to this account to meet the revenue budgeted.

Revenue budget balance available that is positive - means that actual revenue has been credited or deposited exceeding the revenue budget.

Expenditure budget balance available that is positive - means additional budgeted funds are available to expend.

Expenditure budget balance available that is negative - means an overdraft condition exists.

Assets - increase by debit (or positive) amounts.

Liabilities - increase by credit (or negative) amounts.

ATTACHMENT I

Values for the Fund Group Number are:

- 00 Unrestricted Current Fund
(Tuition and fee revenue and budgeted expenses)
- 01 Unrestricted Current Funds- Designated
(Lab fees, continuing education, and student club revenues and expenses)
- 04 Agency Funds
(Funds held by the University as custodian or fiscal agent for student clubs and other organizations)
- 10 Restricted Current Funds
(Donor restricted gifts, grants, and contracts revenues and expenses)
- 2X Student Loan Funds
- 3X Endowment and Similar Funds
- 40 Unexpended Plant Funds- General
- 41 Unexpended Plant Funds- Bond Issues
- 50 Funds for Renewals and Replacements
- 60 Funds for Retirement of Indebtedness
- 70 Investment in Plant
- 90 Investment fund

ATTACHMENT II

Values for the Department Number are in the following blockings:

000000	Assets activity
100000	Liabilities activity
2XXXXXX	Unrestricted Designated
200XXX	Unrestricted Plant projects
210XXX	Instruction projects
211XXX	Research projects
212XXX	Public Service projects
213XXX	Academic Support projects
214XXX	Student Services activities and University funded Student Clubs
220XXX	Quasi endowment- unrestricted
3XXXXXX	Current Restricted
300XXX	Instruction activities
301XXX	Research activities
302XXX	Public Service activities
303XXX	Academic Support activities
304XXX	Student Services activities
305XXX	Institutional Support activities
306XXX	Operation and Maintenance of Plant activities
307XXX	Scholarship activity
308XXX	Auxiliary Enterprises activities
309XXX	Fund Raising Activities
310XXX	Quasi Endowment- expendable with restrictions on use
320XXX	Restricted plant projects
330XXX	True Endowment- permanently restricted
340XXX	Term Endowment
350XXX	Quasi Endowment- restricted
360XXX	Quasi Endowment- no restrictions
400000	Net Investment in Plant
5XXXXXX	Current Unrestricted Revenues
500XXX	Tuition and Fees revenues
502XXX	State Appropriations revenues
503XXX	Unrestricted Gifts revenues
504XXX	Investment Income
505XXX	Endowment Income
508XXX	Other Sources of revenue
509XXX	Auxiliary Enterprises revenues
6XXXXXX	Current Unrestricted Expenses
600XXX	Instruction departments
601XXX	Research centers and programs
602XXX	Public Service centers programs
603XXX	Academic Support departments

604XXX	Student Services departments
605XXX	Institutional Support departments
606XXX	Operation and Maintenance departments
607XXX	Scholarship and Fellowship awards
608XXX	Auxiliary Enterprises expenses
609XXX	Fund Raising departments
7XXXXX	Mandatory Transfers
8XXXXX	Nonmandatory Transfers
9XXXXX	Budget Control and Contingencies

ATTACHMENT III

Some Commonly used Object Codes by Departments are:

0XXXX	Revenues
00001	Tuition- Continuing Education
04000	Federal Grant Income
04001	State Grant Income
04098	Other Grant Income
04200	Federal Contract Income
04298	Other Contract Income
05096	Private Gifts- Event Underwriting
05098	Private Gifts
05100	Fund Raising from Events
06400	Endowment Income
08000	Ticket Sales
09002	Program Participation
09098	Miscellaneous Income
1XXXX	Expenses
10000	Salaries (charged centrally)
10002	Part-Time Wages (charged centrally)
10004	Student Wages (charged centrally)
10005	Federal Work Study Wages (charged centrally)
10006	Stipends (charged centrally)
10007	Overtime (charged centrally)
10010	Sabbatical (charged centrally)
10014	Graduate Assistants (charged centrally)
10098	Payroll Recovery (maintained centrally)
10150	Allocated Fringe Benefits
11000	Office Supplies
11009	Subscriptions
11010	Instructional Books
11017	Forms
11020	Instructional Supplies
11098	Other Supplies
11300	Postage
11501	Cost of Food
12000	Travel
12001	Travel- Student
12100	Entertainment
13002	Consulting Fees
13003	Lecturers
13101	Credit Card Fees
13103	Memberships
13200	Duplicating and Printing

13203	Outside Service
13207	Publications
13210	Temporary Employment
14007	Telephone
15000	Equipment- Capitalized
15001	Equipment- Minor
15020	Equipment Rental
15030	Equipment Repair
15220	Facilities Rental- On Campus
15221	Facilities Rental- Off Campus
19305	Expense Recovery
19306	Indirect Cost Recovery (maintained centrally)
19600	Miscellaneous Expense
19601	Special Events
2XXXX	Fund Transfers (maintained centrally)
200FF	Mandatory Transfers (where FF = Fund Group Number of destination Fund Group)
210FF	Nonmandatory Transfers (where FF = Fund Group Number of destination Fund Group)
22000	Intrafund Transfers
4XXXX	Assets (maintained centrally)
5XXXX	Liabilities (maintained centrally)
6XXXX	Fund Balance (maintained centrally)