



Accounting and Administrative Manual

Section 100: Accounting and Finance

Current Funds Classification
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General:

The current funds of the University of Alaska are divided into four primary classifications: unrestricted, auxiliary, designated and restricted funds.

The classification of funds for accounting purposes may differ from their classification for budget purposes. When a conflict arises, the state budget structure classification within the accounting system may be used to differentiate between state budget requirements and internal accounting requirements.

Unrestricted Funds:

Unrestricted funds are those current funds which are available for use within the current operating period, i.e., fiscal year, for which there is no apparent use restriction. The requirement that the funds may lapse if not fully expended or encumbered by the end of the fiscal year does not affect the classification as unrestricted. The ability to expend unrestricted funds is contingent upon the availability of budget authority as approved by the legislature and recorded in the university's accounts. In instances where actual revenues fall short of budgeted revenues, expenditures of an amount equal to the shortfall must be curtailed. Revenues in excess of budget authority are not available for expenditure merely because they have been received. Their expenditure is contingent upon complying with instructions issued by the Statewide Budget Office regarding the appropriation of excess receipts. Budget instructions may change from year to year depending on state and university budget procedures.

Auxiliary Funds:

Auxiliary funds are unrestricted current funds of enterprises which furnish services directly or indirectly to students, faculty or staff and which charge fees directly relating to, but not necessarily equal to, the costs of the services. Bookstores and housing systems are examples of enterprises which generally meet the accounting criteria for classification as auxiliary enterprises. Service departments or service centers are not considered auxiliary enterprises. Service departments provide specific services to various institutional departments rather than to faculty and students and are generally supported by internal transfers or charges to other university departments or to the university's operating budget. The services might otherwise be purchased from commercial sources but for reasons of convenience or cost control are provided by university departments or



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units. Graphics services, the warehouse and the physical plant are examples of enterprises which are classified as service departments.

Auxiliary enterprises are subject to the same budget limitations as are other unrestricted current funds. The ability to receive and utilize revenues in excess of budget authority is subject to the same provisions defined above for unrestricted funds. An excess of revenues over expenditures, whether or not budgeted at the end of the year, will be carried forward as fund balance and will not be subject to lapse. Prior year surpluses (fund balances) may be used for the purposes of auxiliary enterprises.

Designated Funds:

Designated funds are unrestricted current funds which have internal restrictions but which do not meet the accounting guidelines for restricted funds. Generally, the restrictions are established by the Board of Regents or by agreements with outside agencies. Designated funds are accounted for as unrestricted current funds which are not subject to lapse but which for most purposes are treated as restricted funds.

Restricted Funds:

Restricted funds are current funds received by the university but their use is limited to specific projects or purposes by grantors, donors or other external sources.

In addition to limitations on use, restricted funds generally have one or more of the following characteristics which provide corroborative evidence of the restricted nature of the funds.

1. The funds are received in accordance with a written grant, contract, donor agreement or other agreement.
2. Unused funds revert to the donor or their disposition is otherwise specified.
3. It is mandated that the project or purpose be completed within a given or reasonable time frame.
4. Fiscal accountability and other reporting, including project or technical reports, are required by the grantor, donor or other external source.



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Classification as a restricted fund requires substantive evidence documented in writing through contracts, donor letters, fund raising materials or internal analysis that the funds are subject to significant externally-imposed use restrictions.

Restricted funds do not include funds received as fees or as miscellaneous income resulting from the university's primary purposes of providing education, research and public service, nor do restricted funds include proceeds or revenues produced through the rental of university facilities or as a result of the production of 'value added' goods or services (e.g. marketable reports, computer applications or equipment) by university programs or employees.

The Controller may authorize the use of a restricted fund for a major program which is restricted in nature but which does not meet the technical requirements for restricted funds identified above. Additional information can be found in D-05 "Accounting for Administrative or Clerical Services for Major Programs and Projects" in Section 100 of the University of Alaska Accounting and Administrative Manual.

Administration of Restricted Funds:

Fiscal accountability will be provided by recording project activity in separate funds and by budgeting activity in accordance with the grantor, donor, or other external source.

Upon completion of the project or after two inactive years, unused funds will be returned to the donor, grantor or other external source unless there is evidence that the funds will be expended for the intended purpose within a reasonable period.

Expenditures on continuing projects will be considered to have been made on a FIFO (first-in, first-out) basis.

The regional campus chief financial officer or his/her designee may approve the establishment of expenditure authorization (budget authority) prior to receipt of a signed award. Such approval will be based on persuasive evidence that funding will be received within a relatively brief period and that the timely execution of the award document is beyond the control of the responsible university department.



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The regional campus chief financial officer or his/her designee may authorize establishing a restricted account prior to the receipt of a signed award when

1. the period of performance is determinable.
2. the costs incurred in advance of the receipt of the award will not be considered disallowed costs.
3. the campus has a system in place to monitor the status of unsigned awards and the receipt of signed awards and
4. a quarterly report of expenditures on all unsigned awards is prepared for the university's chief financial officer or designee when the cumulative total of the combined expenditures exceeds \$100,000.

The responsible campus shall establish a reasonable allowance for uncollectible receivables, based on the ages of unfunded commitments and other facts and circumstances, for all expenditure commitments made prior to the receipt of awards or signed contracts.