



# North Dakota University System Accounting Manual

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## Chapter: Introduction

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The objectives of accounting are to provide information to assist management in the allocation and use of resources; enable management and others to evaluate financial operations; and comply with generally accepted accounting principles (GAAP).

The objective of the colleges and universities of the North Dakota University System (NDUS) is to provide a service that meets various educational and social needs and to ensure that institutional resources are used to provide services for which the institution was established. Given this, the NDUS seeks a surplus of revenue over expenses solely to enhance service delivery and to provide reserves to protect the institutions against future contingencies.

In higher education, charges for tuition and fees are only one component of revenue; rarely is there a direct relationship between those charges and the actual cost of the services or programs provided. Other revenue sources include donations, state appropriations, governmental grants and contracts, investment income and auxiliary enterprise revenues. Often the provider of the institutions resources directs how those resources are to be used. Expenditure of the resources may be restricted to specific uses or that the principal must remain intact and only the earnings may be spent.

### ACCOUNTING STANDARDS

GAAP are the rules, procedures and conventions guiding accounting and reporting practices. Uniform and consistent accounting standards ensure that the NDUS's general purpose external financial statements are fairly and consistently presented. The history of accounting standards that formed what GAAP is and where it comes from is as follows:

- The Financial Accounting Foundation (FAF) was incorporated in 1972. Its purpose is to advance the education of the public, investors, creditors, reporting entities, and CPAs with regard to standards of financial accounting and reporting.
- The Financial Accounting Standards Board (FASB) was created in 1973 by the FAF and is an independent standard-setting body for all private-sector commercial and not-for-profit entities.
- The Governmental Accounting Standards Board (GASB) was created in 1984 by the FAF and is an independent standard-setting body for all state and local government entities, including public colleges and universities. The institutions of the NDUS, being public entities, follow the GASB standards, for the most part.
- Standards that have been issued by FASB, GASB and the American Institute of Certified Public Accountants (AICPA) can be markedly different for public and independent institutions.

### GAAP HIERARCHY –

There are separate hierarchies of authoritative accounting literature the NDUS must follow:

#### Category A:

1. Officially established accounting principles such as GASB statements and interpretations

**Category B:**

2. GASB Technical Bulletins; GASB Implementation Guides and literature of AICPA cleared by the GASB.

Authoritative GAAP is incorporated periodically into the *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), and when presented in the Codification, it retains its authoritative status.

If the accounting treatment for a transaction is not within Category A or Category B, an institution should first consider accounting principles for similar transactions that do fall into Category A or Category B and then may consider non-authoritative accounting literature from the sources below that does not conflict with or contradict Category A or Category B.

1. GASB Concept Statements.
2. Financial Accounting Standards Board (FASB) pronouncements and other literature.
3. Federal Accounting Standards Advisory Board.
4. International Public Sector Accounting Standards Board.
5. International Accounting Standards Board.
6. AICPA literature not cleared by the GASB.
7. NACUBO FARM Manual and other NACUBO issued guidance.
8. Practices that are widely recognized and prevalent in state and local government.
9. Literature of other profession associations (for example, NACUBO).
10. Literature of other regulatory agencies
11. Accounting text-books, handbooks and articles.

**FUND ACCOUNTING**

Under fund accounting, resources are classified so that they comply with activities or objectives as specified by donors; regulations, restrictions or limitations imposed by sources outside the institution; or directions issued by the governing board. A fund is commonly thought of as a self-balancing fiscal and accounting entity. Although fund-based reporting is no longer required for external financial statements, the vast majority of institutions (including the NDUS) still rely on fund accounting to manage resources.

To achieve the objects of accounting, financial information must be consistently compiled and reported in a manner that corresponds to users' needs. The NDUS accounting structure, as explained in the following chapters, lays the groundwork necessary to produce information to meet internal and external reporting requirements.

**Note:** The NACUBO FARM manual was used extensively as a resource in the development of the NDUS Accounting Manual.

**Chapter: Ledgers**

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The NDUS maintains and posts non-budget transactions to three ledgers in the finance module of the PeopleSoft system; ACTUALS, FULLACCRUE, and CONSOL.

**ACTUALS:** This ledger records financial transactions from accounts payable, student finance, payroll and from journals manually entered into the general ledger. The majority of day-to-day activities are recorded in the ACTUALS ledger. As an exception, all activity and balances for the Investment in Plant funds are maintained in the FULLACCRUE ledger.

**FULLACCRUE:** This ledger is used primarily to post adjustments and accruals at fiscal year-end, so that when combined with the ACTUALS and CONSOL ledgers, full accrual basis is achieved and accounts are consistent with GASB reporting requirements for financial statement purposes. In addition, activity and balances for the Investment in Plant funds are maintained in the FULLACCRUE ledger.

**CONSOL:** This ledger is used to post adjustments to income statement accounts that will not be reversed and eliminate internal activity for financial statement reporting purposes.

Financial statement presentation is achieved when account balances in the ACTUALS, FULLACCRUE and CONSOL ledgers are combined in reports created in the PeopleSoft reporting tool called nVision.

## Chapter: Fund Classification

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The general ledger of the NDUS is divided into five groups of funds: plant/other, unrestricted, restricted, custodial (fiduciary) and foundation funds. Within those groups are various subgroups of funds that are more descriptive. When setting up new funds, the following fund ranges should be observed. These fund ranges are used in the creation of the reports that generate the financial statements; therefore, consistency across all campuses is crucial to presentation of accurate financial statements.

| Fund Group   | Fund Subgroup              | Budget Ledger | Fund Ranges   |  |
|--------------|----------------------------|---------------|---------------|--|
| Plant/Other  | Investment in plant        | None          | 00001 - 00100 |  |
|              | Renewals & replacements    | None          | 00101 - 00499 |  |
|              | Retirement of indebtedness | None          | 00500 - 00999 |  |
|              | Receivable holding fund    | None          | 01000         |  |
|              | AR conversion balances     | None          | 01001         |  |
|              | Unused                     |               | 01002 - 09999 |  |
| Unrestricted | Auxiliaries                | Fund          | 10000 - 10999 |  |
|              |                            | Project       | 11000 - 11999 |  |
|              | Local                      |               |               |  |
|              | Regular                    | Project       | 12000 - 19999 |  |
|              |                            | Cash          | 20000 - 24999 |  |
|              |                            | Fund          | 25000 - 27999 |  |
|              | Unexpended plant           | Project       | 28000 - 29999 |  |
|              | Appropriation              |               |               |  |
|              | Regular                    | Fund          | 30000 - 33999 |  |
|              |                            | Project       | 34000 - 34999 |  |

|                       |                            |               |               |
|-----------------------|----------------------------|---------------|---------------|
|                       | Capital improvements       | Project       | 35000 - 39999 |
|                       | Scholarships               | Fund          | 50000-59999   |
|                       | Scholarships               | Project       | 50000-59999   |
|                       | Quasi-Endowments           | Cash          | 70000-70400   |
|                       |                            |               |               |
| Restricted            | Grants and contracts       | Project       | 40000 - 49999 |
|                       | Scholarships & fellowships |               |               |
|                       | Scholarships               | Fund          | 50000 - 52999 |
|                       |                            |               | 55000-57999   |
|                       | Scholarships with Projects | Fund          | 53000 - 54999 |
|                       |                            | Project       | 58000 - 59999 |
|                       | Loans                      |               |               |
|                       | Short-term                 | Cash          | 60000 - 64999 |
|                       | Long-term                  | Cash          | 65000 - 69999 |
|                       | Endowments/Quasi Endow.    | Cash          | 70000 - 78999 |
| Other Restricted      | None                       | 79000 - 79999 |               |
| Custodial (Fiduciary) | Other                      | Cash          | 80000 - 89799 |
| Foundations           | Foundations                | Cash          | 89800 - 89999 |
|                       |                            |               |               |
| Unused                |                            |               | 90000 - 99999 |

**Note: Fund number ranges & budget ledgers used by NDSU & UND will differ from the above table. See the UND & NDSU Accounting Offices for tables at those institutions.**

*The Scholarship groups indicated within the unrestricted fund group is different than how scholarship funds were initially setup in PS. The unrestricted and restricted ranges for scholarship funds are recommended. If the ranges are not used and automatic close process closes all scholarship funds to 320176, a manual adjustment needs to be made for any unrestricted fund balance that may exist in scholarship funds. Unrestricted fund balances in scholarships are not the norm.*

## **Section: Plant Funds/Other Funds**

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### **Investment in Plant**

Long-lived capitalized assets, related debt incurred for those assets and construction in progress are recorded in Investment in Plant funds. This fund group uses the FULLACCRUE ledger for all transactions.

### **Renewal and Replacement**

This subgroup includes funds that have been set aside per bond covenants or institutional designation to provide reserves for the renewal and replacement of capital assets. Additions to these funds usually arise from transfers from unrestricted funds and/or income earned on the investment of the funds. Deductions from these funds consist of expenditures for renewal and replacements and/or losses incurred on the investment of the funds.

### **Retirement of Indebtedness**

These funds are established (usually by bond covenant) to accumulate reserves for the payment of interest and principal and other debt service charges. Separate funds are established for each bond. An amount equal to the principal and interest due is transferred from other current funds where the revenue is collected. The Retirement of Indebtedness fund makes all required debt payments to the bond trustee. Funds that are transferred to set up reserves pursuant to bond covenants are invested and the interest earned accumulates in the fund to either build up reserves or to reduce future payment transfers. The Liabilities section includes entries that are common to this fund.

### **AR Clearing – SF Refunds**

This fund is used to hold excess payments or excess financial aid until refunded to the student. AR debit balances may occur if unearned financial aid is returned to the provider and not collected from the student.

### **AR Conversion balances**

This fund was used during the conversion of legacy to PS to accumulate the converted accounts receivable balances. Item types in Student Finance have GL mapping to this fund to process payments made on the converted balances. Once the conversion balances are paid, this fund will no longer be needed.

## **Section: Unrestricted Funds**

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Unrestricted funds are current funds that are available for use within the current operating period, for which there is no apparent external-use restriction. Local funds may be internally designated for a specific use, but do not meet the accounting guidelines for classification as restricted funds.

### **Auxiliary Funds**

Auxiliary funds are unrestricted funds of the institution 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 services. These funds are self-supporting and typically include bookstore, foods service, housing and student centers. Athletics and parking structures, if they are self-supporting, are included in auxiliary funds. In order to track and report auxiliary revenues separate from other fund revenues, the revenue account range of 470000 – 479999 has been created for auxiliary fund use only. Revenue sources in this range include sales, rent, room and board contracts, fees, season tickets, and many others. Excess of revenues over expenditures at year-end (or reserves carried over from year-to-year) is usually used in support of auxiliary enterprises, including auxiliary building renovations, improvements and additions.

See further information regarding the process for determining whether an enterprise is self-supporting in the Fund Functions section.

### **Local Operating Funds**

Regular local funds include funds that are available at the administration's discretion to supplement the institutions appropriated funds. Local fund revenue comes from a variety of sources, including: student fees, box office receipts from campus productions, gifts, investment income, parking fines, late fees, rental of campus facilities and many others. Local funds are appropriated in a continuing appropriation clause of the NDUS funding bill. Biennial estimates of revenue and expenditures of other funds, by source of funds, is submitted to the Office of Management and Budget (OMB) when biennial budget requests are submitted to OMB, as required by NDCC Section 15-10-12.

### **Local Capital Improvement Funds**

Local Capital Improvement funds are local funds that have been authorized for capital projects purposes. Gifts, grants, bond proceeds and other revenue received/designated for plant improvements are recorded in this group of funds. (State appropriations for capital improvements are accounted for in the Appropriated Funds subgroup.) Unexpended plant funds are generally available for the duration of a project and expenditures are limited to those that directly benefit the project according to bond, gift, grant or other documents. Expenditures for these projects will almost always be recorded in the capitalized land and buildings expenditure accounts.

### **Appropriated Operating Funds**

Regular appropriated funds are general funds that have been appropriated by the legislature for operating purposes. Tuition revenue received from students is also included in this category. General funds are recorded as revenue when drawn down from the state treasurer, on a semi-monthly basis (See Appropriations in the Revenue Section of this manual). Tuition revenue is recorded when charged to student accounts. General Fund and tuition revenue are typically budgeted together and collectively they support the instruction and academic functions, administrative and student services and physical plant expenditures of the institution.

### **Appropriated Capital Improvement Funds**

Appropriated capital improvement funds are general or state bonding funds that have been appropriated by the legislature for specific capital projects. The expenditure of these funds must be in accordance with the language in the bill authorizing the project. Funds are drawn down from the state treasurer as expenditures are incurred.

## **Section: Restricted Funds**

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Restricted funds are current funds for which there is a restriction placed on the use of the funds by grantors, donors or other external sources. The key to classification as restricted funds is that the restriction must be imposed by an external source. Classification as a restricted fund requires substantive evidence through contracts, donor letters, fund raising materials or other analysis that the funds are subject to significant, externally imposed use restrictions. Funds internally designated for a specific use are not classified as restricted.

### **Grant and Contract Funds**

Grant and contract funds are restricted funds that are provided to the institution via an award from a third-party grantor. Funds from grant and contract awards are recorded as federal, state or private grant and contract revenues. In addition, grant or contract awards for capital projects are separately identified in the chart of accounts. Use of grant and contract awards must be in accordance with the grant or contract document. In addition, accounting and control over federal awards must follow grantor agency guidelines and 2CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

### **Non-endowed Scholarship and Fellowship Funds**

Non-endowed scholarship and fellowship funds are restricted funds provided by a donor for the purpose of providing scholarships and fellowships for the institution's students.

### **Short-term Loan Funds**

Short-term loan funds are restricted funds that are held for the purpose of providing short-term loans to students. Principal and interest repayments are re-invested back into the loan fund and are available for disbursement to students.

### **Long-term Loan Funds**

Long-term loan funds are restricted funds that are available for long-term loans to students. Examples include the Federal Perkins Loan Program and Nursing Student Loan Program that are serviced by the ND Student Loan Service Center. Principal and interest repayments are re-invested back into the loan fund and are available for disbursement to students.

### **Endowment Funds**

"Pure" endowments are those funds that have been given by a donor to support the institution with explicit instructions that the value of the initial gift be held in perpetuity. Only the income generated by the investment of these funds can be used to support the institution. These funds are considered restricted and non-expendable.

### **Other Restricted Funds**

Gifts that have been given by a donor with a restriction on the use of the funds. Both the corpus and the income generated by investment of these funds can be used to support the institution.

## **Section: Fiduciary Activities/Custodial Funds**

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### **Fiduciary Activities/Custodial Funds**

GASB 84 defines the accounting and financial reporting of fiduciary activities. The term "fiduciary activity" replaces the former accounting term "agency". The term "Custodial funds" replaces the former term "agency funds". As of July 1, 2020, agency funds no longer exist. Custodial funds are located in the 80000-89799 fund range in PeopleSoft.

## Identifying Fiduciary Activities

A fiduciary activity occurs when an institution takes care of assets that belong to individuals or other organizations outside of the institution. An institution cannot have any of its' own assets in a fiduciary activity. Fiduciary activities are recorded in custodial funds.

### Types of Fiduciary Activities:

1. Fiduciary component units
  - a. Certain pension and OPEB plans - **not applicable to NDUS**
  - b. Component units that are not a pension or OPEB and are not blended or discretely presented in financial statements or listed in footnote 1 of the NDUS Annual Financial Report
2. Pension and OPEB arrangements that aren't component units – **not applicable to NDUS**
3. Other fiduciary activities -
  - a. Activity must meet **BOTH** of the following criteria:
    - i. Assets are controlled by the institution.
      1. Control of assets occurs when:
        - a. Institution holds the assets or,
        - b. Institution has the ability to direct the use of the assets.
        - c. Note: external restrictions on the use of assets doesn't necessarily mean the institution doesn't have control.
      2. Control of assets occurs when:
        - a. Institution holds the assets or,
        - b. Institution has the ability to direct the use of the assets.
        - c. Note: external restrictions on the use of assets doesn't necessarily mean the institution doesn't have control.
    - ii. The assets are **NOT** derived from own source revenues:
      1. Solely from the institution's own-source revenues. Own source revenues are revenues generated by the institution. (for example: tuition, fees, room and board, etc.).
      2. Also included here are government mandated or voluntary nonexchange transactions (state appropriations).
      3. **Exemption:** GASB 84 allows use of fiduciary funds for pass-through grants where the institution does not have administrative involvement of direct financial involvement.
  - b. **PLUS** the activity must meet **ANY** one or more of the following:
    - i. Assets are administered through a trust or equivalent agreement and
      1. the institution is **not** a beneficiary,
      2. the trust is legally protected from institution's creditors, and
      3. dedicated to providing benefits to recipients.
    - ii. Assets are for the benefit of individuals and the institution does **not** have administrative or direct financial involvement with the assets.
    - iii. Assets held for the benefit of organizations or other institutions or governments that are not part of the NDUS.

- c. Examples of “administrative or direct financial involvement”. The institution:
  - i. Monitors compliance with requirements that are established by a provider who does not receive the direct benefit of the activity.
  - ii. Determines eligible secondary recipients or projects. Applies even if institution uses criteria set by the grantor.
  - iii. Determines eligible expenditures established by a provider that does not receive direct benefits of the activity.
  - iv. Has ability to exercise discretion over how assets are allocated.
  - v. Finances some of the direct program costs as part of a matching requirement or is liable for disallowed costs.

#### **4. Reporting Entity:**

The reporting entity for GASB 84 is the NDUS and not the individual campus. This determination becomes pertinent when assessing inter-institution balances and transactions.

#### **5. Business Type Activity Entities (BTA Exemption):**

The NDUS is considered a Business Type Activity entity or BTA, per GASB standards. GASB 84 allows BTA’s to include fiduciary activities in non-custodial funds **if** the assets are generally held for three months or less.

### **Assessing for Fiduciary Activities/Custodial Funds**

At creation, all new funds need to be assessed using the GASB 84 Questionnaire to determine whether they meet the criteria for fiduciary activities. The questionnaire is located in the Controller Collaboration Teams site. Activities that meet the criteria are recorded in a custodial fund in range 80000-89799. Activities that don’t meet the criteria for fiduciary activities are set up in an appropriate fund range other than the 80000-89799 range.

The funds listed below have been pre-determined and do not have to be assessed using the questionnaire.

The following types of funds are fiduciary activities:

- Student deposit cards where student deposits money in card and uses card to make purchases.
- Collaborative funds for non-NDUS institution.

The following types of funds are **not** fiduciary activities:

- All institution-related payroll and payroll related funds.
- Deposit accounts related to courses, housing, dining, labs or similar activities.
- ConnectND fees.
- All loans and scholarships. (NDUS is using the BTA exemption)
- Student Loan Service Center – student loan payments held by SLSC and remitted to institutions.
- Collaborative funds for other NDUS institution.
- North Dakota State Grant.
- North Dakota Academic Scholarship.

- North Dakota Career & Technical Education Scholarship.
- North Dakota Indian Scholarship.
- North Dakota Scholars Program.
- Professional Student Exchange Programs (PSEP).
- Career Builders Scholarships.
- Student Government.
- NDSA fees collected by campuses to be remitted to UND.

### **Payroll Withholdings**

Institution payroll and payroll related funds are **not** a fiduciary activity. GASB considers these to be for the benefit of the institution and not the employee. The institution has already paid the employee and the institution is responsible for paying the remaining liability. Examples of payroll related funds are (but not necessarily limited to):

- Payroll clearing,
- Payroll taxes,
- Payroll benefits,
- Payroll withholdings for United Way, Jeans Day, etc.
- Unemployment, workers compensation insurance,
- Payroll contracts paid over 12 months.

Payroll deductions and accrued payroll taxes processed by the institution on behalf of an external entity (including foundations) are fiduciary activities and should be recorded in the 8xxxx funds.

### **Student Clubs**

Institutions have the option to include student clubs in custodial funds or non-custodial funds because the balances in student clubs are immaterial, in total, to the NDUS financial statements. Each institution should make a one-time determination on student clubs and apply consistently to all student clubs.

### **Loans and Scholarships**

Loans and scholarships are not fiduciary activities because the NDUS has elected to use the BTA exemption. However, institutions have the option to record them in the 8xxxx range during the year and reclass them to a non-custodial fund range for financial statement purposes during the fiscal year-end close.

**GASB 84 Resources:** The standard and implementation guide can be found at [www.gasb.org](http://www.gasb.org).

### **Section: Foundation Funds**

Foundation funds are owned and controlled by a related foundation or alumni association. Since assets and liabilities of foundations and alumni associations are presented separately in the NDUS financial statements, they are not included in the institutions' financial statements or the institution portion of the NDUS financial statements.

## Chapter: Fund Functions

A functional expense classification is a method of grouping expenses according to the purpose for which the costs are incurred. The classification tells *why* an expense was incurred rather than *what* was purchased. The NDUS assigns functions to funds for the functional operating expense note for the financial statements, for management tracking and other reporting purposes. Reporting expenses by functional classification helps donors, granting agencies, creditors, and other readers of financial statements to understand the various mission-related activities of the institution. All NDUS funds must be assigned a function code from the list below. The Integrated Post-Secondary Education Data System (IPEDS) is the basis for the fund function codes used in PeopleSoft as follows:

| Function              | Code | Function Description                         |
|-----------------------|------|--|
| No Function           | 00   | No Function                                  |
| Auxiliary Services    | 01   | Auxiliary services                           |
| Instruction           | 11   | General academic instruction                 |
|                       | 12   | Vocational/technical instruction             |
|                       | 13   | Medical school instruction                   |
| Public Service        | 21   | Community Service                            |
| Research              | 31   | Institutional research                       |
|                       | 32   | Research centers                             |
|                       | 33   | EPSCOR                                       |
| Academic Support      | 41   | Academic libraries                           |
|                       | 42   | Academic administration                      |
|                       | 43   | Other support services                       |
|                       | 44   | Information technology-Academic support      |
| Student Services      | 51   | Student services                             |
|                       | 52   | Student services - Athletics                 |
| Institutional Support | 61   | General administration                       |
|                       | 62   | Information technology-Institutional support |
|                       | 63   | Internal service funds                       |
|                       | 64   | Reserves                                     |
| Physical plant        | 71   | Physical plant                               |
| Scholarships          | 81   | Scholarships and fellowships                 |
| Unexpended plant      | 91   | Plant improvements – appropriated            |
|                       | 92   | Other unexpended plant funds                 |

The IPEDS definition for each major function is as follows.

## **Auxiliary Services**

In addition to the IPEDS definition, the NACUBO FARM manual provides further guidance on classifying enterprises as auxiliaries.

Auxiliary enterprises are essentially self-supporting operations and may include residence halls, food services, intercollegiate athletics (if self-supporting), college unions, college stores, and other self-supporting services. Institutions include actual or allocated costs for operation and maintenance of plant and interest, if applicable.

The NACUBO FARM manual defines an auxiliary enterprise as one that exists to furnish goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of an auxiliary enterprise is that it is managed to operate as a self-supporting activity. Over time, the revenues will equal or exceed the expenses, although in any individual year there may be a deficit or a surplus. Examples are residence halls, food services, intercollegiate athletics (if operated as essentially self-supporting, otherwise classified as student services), college stores, faculty clubs, parking, and faculty housing. Student health services, when operated as an auxiliary enterprise, also are included. Hospitals, although they may serve students, faculty, or staff, are classified separately because of their financial significance.

An enterprise is considered to be essentially self-supporting when revenues received covers all or most of the direct and indirect operating expenses, assignable indirect costs, debt service and allowable capital expenditures for the activity.

Each campus is responsible for assessing whether an enterprise is considered essentially self-supporting using the revenue sources and types of expenditures defined in the previous paragraphs. Generally, a one-time analysis will be sufficient, unless there are material changes to the funding of the auxiliary or other circumstances that merit a more frequent review. The previous three years will be analyzed. If the assessment concludes that an enterprise is not self-supporting, it should be classified as student services. As a result of this analysis, it is possible that institutions will classify similar auxiliaries differently because funding and cost structure may vary across the NDUS institutions.

Revenues include fees for services, sales, dedicated general fees, private contribution (including foundation contributions) and investment income. State appropriations are excluded.

The auxiliary enterprise category includes all expenses relating to the operation of auxiliary enterprises. Because of a desire to assess whether the enterprise is self-supporting, an allocation of expenses for operation and maintenance of plant, depreciation, interest, and administration is included, even though that allocation is not required of public institutions for financial statement purposes. Also included are other direct and indirect costs, whether charged directly as expenses or allocated as a proportionate share of costs of other departments or units. To ensure that data regarding individual auxiliary enterprises are complete and adequate for management decisions, cost data should be prepared using full

costing methods. Full costing means that the costs attributed to each enterprise includes a portion of indirect costs related to that enterprise, as well as the costs directly attributable to its operation.

Indirect costs should include the following costs.

- Executive Administration
- Fiscal services – accounting, accounts payable, budget
- Student Financial Aid
- Student Accounts
- Procurement
- Payroll
- Human Resources
- IT
- Facilities and depreciation
- Utilities and Telephone
- Custodial services
- Risk Management and Safety

The list above is not all-inclusive and does not preclude institutions from identifying other services provided to auxiliaries.

If direct expenditures exceed revenues, it is not necessary to complete the allocation of indirect costs for the purposes of determining whether an enterprise is self-supporting.

Indirect costs should be allocated in a manner that is reasonable relative to the activity. NDUS institutions will each develop their own methodologies for allocating indirect costs to determine whether an enterprise is essentially self-supporting, using the following principles:

- Reasonable - costs which are applicable to the overall operation of the activity
- Properly allocable – costs are allocated based on the relative benefits received by the enterprise
- Verifiable for audit and easy to understand
- Objective: based on relevant and reliable financial and other information

The list below provides allocation suggestions for the purposes of assessing whether an enterprise is self-supporting. These include commonly used allocation methods/bases for allocation, but any reasonable, accepted method may be used. The allocation of plant operating expenses used for the year-end close process may be used to allocate these expenses for purposes of the essentially self-supporting analysis.

- Square Footage
- % of Total Budget
- % of Total Square Footage
- % of Total Budget
- Use studies
- % of Total Budget
- % of Total Compensation
- % of Total Expenditures
- Credit Hours/FYE/Student Headcount

- Number of Employees or FTE
- % of Total Compensation
- % of Total Budget
- % of Total Expenditures
- Time Studies

The calculation to determine whether an enterprise is self-supporting is as follows:

**Analysis of Self Support for Auxiliary Classification  
For the Previous Three Fiscal Years**

| <i>Add additional lines, as needed</i>               | Current Fiscal<br>Year minus 1 | Current Fiscal<br>Year minus 2 | Current Fiscal<br>Year minus 3 | Total |
|--|--------------------------------|--------------------------------|--------------------------------|-------|
| <b>Direct Revenues</b>                               |                                |                                |                                |       |
| Total Direct Revenues                                | \$ -                           | \$ -                           | \$ -                           | \$ -  |
| <b>Direct Operating Expenses</b>                     |                                |                                |                                |       |
| Total Direct Operating                               | \$ -                           | \$ -                           | \$ -                           | \$ -  |
| <b>Direct Capital Expenses</b>                       |                                |                                |                                |       |
| Total Direct Capital                                 | \$ -                           | \$ -                           | \$ -                           | \$ -  |
| <b>Indirect Expenses</b>                             |                                |                                |                                |       |
| Total Indirect Expenses                              | \$ -                           | \$ -                           | \$ -                           | \$ -  |
| <b>Total Expenses</b>                                | \$ -                           | \$ -                           | \$ -                           | \$ -  |
| <b>Excess (Deficit) of Revenue over Expenditures</b> | \$ -                           | \$ -                           | \$ -                           | \$ -  |

The following core enterprises are designated as auxiliary enterprises and therefore assessment of the essentially self-supporting criteria is not required:

- Housing
- Food services
- Campus bookstores
- Student Unions

**Instruction**

Expenses associated with the colleges, schools, departments, and other instructional divisions of the institution and for departmental research and public service that are not separately budgeted. This would include academic instruction, occupational and vocational

instruction, community education, preparatory and adult basic education, and regular, special, and extension sessions. Also includes expenses for both credit and non-credit activities. Excludes expenses for academic administration where the primary function is administration (e.g., academic deans). Information technology expenses related to instructional activities, if the institution separately budgets and expenses information technology resources, are included (otherwise these expenses are included in academic support).

### **Research**

Expenses associated with activities specifically organized to produce research outcomes and commissioned by an agency either external to the institution or separately budgeted by an organizational unit within the institution. The category includes institutes and research centers and individual and project research. This function does not include non-research, sponsored programs (e.g., training programs). Also included are information technology expenses related to research activities if the institution separately budgets and expenses information technology resources (otherwise these expenses are included in academic support.)

### **Public Service**

Expenses associated with activities established primarily to provide non-instructional services beneficial to individuals and groups external to the institution. Examples may include conferences, institutes, general advisory services, reference bureaus, community services, cooperative extension services, public broadcasting services, and similar services provided to particular sectors of the community. Also includes information technology expenses related to the public service activities if the institution separately budgets and expenses information technology resources (otherwise these expenses are included in academic support).

### **Academic Support**

Expenses associated with activities and services that support the institution's primary missions of instruction, research, and public service. It includes the retention, preservation, and display of educational materials (for example, libraries, museums, and galleries); organized activities that provide support services to the academic functions of the institution (such as a demonstration school associated with a college of education or veterinary and dental clinics if their primary purpose is to support the instructional program); media such as audiovisual services; academic administration (including academic deans but not department chairpersons); and formally organized and separately budgeted academic personnel development and course and curriculum development expenses. Also included are information technology expenses related to academic support activities; if an institution does not separately budget and expense information technology resources, the costs associated with the three primary programs will be applied to this function and the remainder to institutional support.

### **Student Services**

Expenses associated with admissions, registrar activities, and activities whose primary purpose is to contribute to students' emotional and physical well-being and to their

intellectual, cultural, and social development outside the context of the formal instructional program. Examples may include student activities, cultural events, student newspapers, intramural athletics, student organizations, supplemental instruction outside the normal academic program (remedial instruction for example), career guidance, counseling, financial aid administration, and student records. Intercollegiate athletics (if not self-supporting) and student health services may also be included except when operated as essentially self - supporting auxiliary enterprises). Also may include information technology expenses related to student service activities if the institution separately budgets and expenses information technology resources (otherwise these expenses are included in institutional support.)

### **Institutional Support**

Expenses associated with the day-to-day operational support of the institution. Includes:

- Expenses for general administrative services,
- Central executive-level activities concerned with management and long range planning,
- Legal and fiscal operations,
- Space management,
- Employee personnel and records,
- Logistical services such as purchasing and printing,
- Parking structures that are not classified as auxiliaries,
- Public relations and development.
- Information technology expenses related to institutional support activities. If an institution does not separately budget and expense information technology resources, the IT costs associated with student services and operation and maintenance of plant will also be applied to this function.

### **Physical Plant**

Expenses associated with operations established to provide service and maintenance related to campus grounds and facilities used for educational and general purposes. Examples may include utilities, custodial, general maintenance, property insurance, and similar items. Expenses of this function are reduced by amounts reallocated to auxiliary enterprises, hospitals, and independent operations at year-end for financial statement purposes. Also includes information technology expenses related to operation and maintenance of plant activities if the institution separately budgets and expenses information technology resources (otherwise these expenses are included in institutional support).

### **Scholarships and Fellowships**

The scholarships and fellowships classification includes expenses for scholarships and fellowships—from restricted or unrestricted funds—in the form of grants that neither require the student to perform service to the institution as consideration for the grant, nor require the student to repay the amount of the grant to the funding source. In public institutions, they may result from selection by the institution or from an entitlement program. The classification also includes trainee stipends, prizes, and awards. (However,

trainee stipends awarded to individuals who are not enrolled in formal course work should be charged to instruction, research, or public service.)

The scholarships and fellowships classification excludes student awards that are made in exchange for services provided to the institution, such as graduate and teaching assistantships and student work-study programs. When services are required in exchange for financial assistance, charges are classified as expenses of the department or organizational unit to which the service is rendered and reported as expenses of the function classification benefited by the work provided by the student.

### **Unexpended Plant Funds**

Expenses associated with extraordinary repairs, renovations, additions or new construction of capital assets.

## **Chapter: Chart of Accounts**

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The NDUS chart of accounts includes three types of accounts: transaction accounts, financial statement (or roll-up) accounts and budget accounts. A current chart of accounts can be run in PeopleSoft anytime using query, NDU\_GL\_15\_CF\_ACCT.

Transaction accounts include activity that is generated from manual online (ONL) entries or from entries created and journal generated from another module (AM, SF, AP, PAY). These accounts will include all day-to-day activity.

Financial statement accounts are accounts that are used at year-end to reclassify balances in accordance with GASB 34/35 or to roll-up accounts for summary. The roll-up accounts are all balance sheet accounts and the six-digit account number ends in '000'. The accounts used to reclassify balances for financial statement purposes are interspersed throughout the chart of accounts (balance sheet and income statement) and have no specific numbering structure.

Budget accounts are revenue and expense accounts used by commitment control. No accounting transactions are posted to these accounts. Budget accounts end in '000'.

A detailed description of each account is included in the *NDUS People Soft General Ledger Account Descriptions*, which is included herein as Appendix A. A summary description of accounts, their uses and journal entries of common transactions is included in the following sections.

### **Creating, Modifying or Inactivating General Ledger Accounts**

- NDUS has a defined process for adding, modifying or inactivating general ledger accounts. Requests are brought to the monthly Controller Group meeting for discussion.
- Requests can also be submitted using the Controller Group listserv.

- After agreement is reached by the Controller Group, the NDUS Director of Financial Reporting submits a help desk ticket to CTS with instructions to create the new account(s) in PeopleSoft.
- CTS personnel create the account(s) and notifies the NDUS Director of Financial Reporting by email.
- The Director of Financial Reporting notifies users through the NDUS Controllers listserv that the account(s) has been created.
- The NDUS Director of Financial Reporting updates the NDUS system-wide accounting manual for the new account(s). The updated manual is posted to the NDUS website.

## **Section: Assets**

Assets are resources owned by the Institution. Assets have value because they can be used or exchanged to produce the services or products of the Institution. Assets possess service potential or utility to their owner that can be measured and expressed in money terms.

### **CASH & CASH EQUIVALENTS**

Cash is accounted for in accounts 101001 – 112201. The most commonly used account codes are:

- **101001 – PETTY CASH** – established for the purpose of disbursing small amounts (usually less than \$200) that are not practical to pay by voucher.
- **102001 – CASH ON HAND**– established for the purpose of making change when collecting cash receipts (i.e. till funds and change funds).
- **105251 – CASH IN BND** established at the Bank of ND to account for receipts and disbursements.

Cash equivalents are defined as short-term, highly liquid investments that are both:

- a.) Readily convertible to known amounts of cash
- b.) So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Generally, only investments of original maturities of three months or less meet the definition of cash equivalents.

The NDUS has numerous cash accounts to handle day-to-day transactions, facilitate the reconciliation process and categorize for financial statement purposes. The accounts are organized to separate cash at the Bank of North Dakota from cash at other institutions (Non-BND) for reporting purposes in the State of ND CAFR. Additionally, the cash accounts separate restricted, noncurrent and endowment funds for financial statement purposes.

The NDUS is required (NDCC 54-06-08.1) to hold its funds in the BND unless a gift or endowment document specifies otherwise; therefore, the mostly commonly used cash account is 105251 – Cash in BND. The institutions should use the detail cash accounts whenever possible, unless it interferes with the efficiency of the cash reconciliation process. If the detail cash accounts are not used for day-to-day transactions, year-end

entries are required to bring the accounts into financial statement format. These entries are included in the year-end accounting entries document located in the Controller Collaboration Teams site.

A monthly reconciliation between the balance per the financial institution's bank statement(s) and the balance per the general ledger must be completed. Various daily and monthly reports/queries exist to facilitate this reconciliation. The account(s) must be reconciled to zero on a monthly basis with reconciling items identified and resolved in a timely manner. The reconciliations are to be reviewed by a designated campus finance official in a timely manner. The reviewer must document their approval by signature, initials or email. The approved reconciliation, supporting documentation and the reviewer's approval must be retained in accordance with the NDUS records retention schedule in SBHE Policy 1912(7).

Per NDCC 54-06-08.1, institutions need authorization from the State Auditor's Office (SAO) to open a new bank account. The Institution must prepare a letter to the State Auditor's Office providing justification and need for the new bank account(s). In addition, authorization from the SAO is needed for any new petty cash or till fund, their amounts, along with the intended use of the fund. Once approval is obtained, the institution may close out and re-open a till or petty cash fund during the year. The only stipulation is that the fund may not exceed the amount authorized by the SAO.

#### **Additional due diligence on large payment amounts**

To protect against payments being made to out-of-date or inaccurate bank accounts or addresses, NDUS institutions must perform additional due diligence when making payments over \$50,000 (\$250,000 for NDSU and UND). This due diligence might include a review of the last payment information against the current invoice, reviewing for any change to the banking information since the last successful payment, reviewing the remittance address against an internet search, and/or reviewing the date supplier bank account information was added to the supplier profile.

### **Section: INVESTMENTS**

Investments consist of certificates of deposit with a maturity of greater than 3 months, US Treasuries, bonds, stock and other securities. Investments are accounted for in accounts 113000 – 121301. The accounts are organized to separate investments at the Bank of North Dakota from investments at other institutions (Non-BND). Like cash accounts, investment accounts are also separated as restricted, noncurrent, and endowment funds for financial statement purposes.

Institutions should use the detail investment accounts whenever possible. If the detail accounts are not used for day-to-day transactions, year-end entries are required to bring the accounts into financial statement format. For financial statement purposes, investments are interest rate risked, credit risked, and custodial risked (See Appendix)

Purchased investments are recorded at cost, including brokerage and other transaction fees. Contributed investments are recorded at the fair market value as of the date of the gift.

For year-end financial reporting, investments are reported at fair value. Fair value is the price that would be received for an asset in a current arms-length transaction between market-place participants.

GASB Standard 72 defines an investment as a security or other asset that is held for income or profit and has a present service capacity based solely on its ability to generate cash or to be sold to generate cash.

Investments required to be reported at fair value are:

- Debt securities,
- Equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values,
- Interest-earning investment contracts,
- Life settlement contracts,
- Land and other real estate held as investments by true and term endowments,
- Open-end mutual funds.

Investments not subject to the fair value reporting requirements are:

- Ownership interests recorded using the equity method of accounting,
- Investments in life insurance contracts (reported at cash surrender values),
- Nonnegotiable certificated of deposit with redemption terms not affected by market rates, provided that the value is not significantly impaired by the credit standing of the issuer or other factors.
- Governmental entities that are not, external investment pools may value money market investments and participating interest-earning investment contracts that have a remaining maturity at purchase of one year or less at amortized cost, provided that the value is not significantly impaired by the credit standing of the issuer or other factors,
- For external investment pools, the threshold for reporting money market investments and participating interest-earning investment contracts at amortized cost is 90 days or less. Again, provided that the value is not significantly impaired by the credit standing of the issuer or other factors.

### **Investment Definitions for Fair Value Reporting, as required by GASB 72**

Debt securities are defined as:

*Any security that represents a creditor relationship with an entity. It also includes (a) preferred stock that either is required to be redeemed by the issuing entity or is redeemable at the option of the investor and (b) a collateralized mortgage obligation (CMO) or other instrument that is issued in equity form but is accounted for as a non-equity instrument. However, it excludes option contracts, financial futures contracts, and forward contracts.*

Debt security includes, among other items, U.S. Treasury securities, U.S. government agency securities, municipal securities, corporate bonds, convertible debt, commercial paper, negotiable certificates of deposit, securitized debt instruments (such as CMOs and

real estate mortgage investment conduits-REMICs), and interest-only and principal-only strips. Trade accounts receivable arising from sales on credit and loans receivable arising from real estate lending activities of proprietary activities are examples of receivables that do not meet the definition of a security; thus, those receivables are not debt securities. (If, however, they have been securitized, they would meet the definition.)

Equity securities are defined as:

*Any security that represents an ownership interest in an entity, including common, preferred, or other capital stock; unit investment trusts; and closed-end mutual funds. However, the term equity security does not include convertible debt or preferred stock that either is required to be redeemed by the issuing entity or is redeemable at the option of the investor.*

Equity securities also include option contracts, stock warrants, and stock rights. External investment pools are defined above.

An interest earning investment contract is defined as:

*A direct contract, other than a mortgage or other loan, that a government enters into as a creditor of a financial institution, broker-dealer, investment company, insurance company, or other financial services company and for which it receives, directly or indirectly, interest payments. Interest-earning investment contracts include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed and bank investment contracts (GICs and BICs).*

Life settlement contracts are defined as having the following characteristics:

1. *The government-investor does not have an insurable interest (an interest in the survival of the insured, which is required to support the issuance of an insurance policy).*
2. *The government-investor provides consideration to the policy owner of an amount in excess of the current cash surrender value of the life insurance policy.*
3. *The contract pays the face value of the life insurance policy to the government-investor when the insured dies.*
4. *The government-investor is the policyholder.*

Open-end mutual funds are defined as:

*An SEC-registered investment company that issues shares of its stock to investors, invests in an investment portfolio on the shareholders' behalf, and stands ready to redeem its shares for an amount based on its current share price. An open-end mutual fund creates new shares to meet investor demand, and the value of an investment in the fund depends directly on the value of the underlying portfolio. Open-end mutual funds include governmental external investment pools that are registered as investment companies with the SEC and that operate as open-end funds.*

## Valuation

With very few exceptions as noted below, institutions are required to carry investments at fair value. Fair value is a measurement based on market conditions, not reporting-entity characteristics.

Quoted market prices need to be obtained at year-end and an adjustment made to increase or decrease the general ledger value of the investment. Market adjustments may be made to either the actuals or full accrue ledger and can be made throughout the fiscal year or during the fiscal year-end accounting close.

| Ledger                       | Transaction                               | Acct #        | Acct Descr.          | Debit | Credit |
|------------------------------|---|---------------|----------------------|-------|--------|
| Actuals<br>or Full<br>Accrue | Increase<br>investment value<br>to market | 113021-120151 | Investment account   | x,xxx |        |
|                              |   | 442025        | Unrealized Gain/Loss |       | x,xxx  |
| Actuals<br>or Full<br>Accrue | Decrease<br>investment value<br>to market | 442025        | Unrealized Gain/Loss | x,xxx |        |
|                              |   | 113021-120151 | Investment account   |       | x,xxx  |

In the absence of quoted market-based prices, fair value must be determined through alternative valuation methods. Examples of alternative valuation methods include, but are not limited to, appraisals, present value analysis, expected cash flow techniques, comparison analysis of similar investments, replacement cost analysis. Institutions should contact the NDUS Director of Financial Reporting for additional guidance before using alternative valuation methods.

When investments are sold for more or less than book value, a gain or loss on the sale needs to be recorded as follows:

| Ledger  | Transaction                    | Acct #        | Acct Descr.        | Debit | Credit |
|---------|--------------------------------|---------------|--------------------|-------|--------|
| Actuals | Gain on sale of<br>investments | 103251-112201 | Cash account       | x,xxx |        |
|         |                                | 113021-120151 | Investment account |       | x,xxx  |
|         |                                | 442020        | Gain/loss on sale  |       | x,xxx  |
| Actuals | Loss on sale of<br>investments | 103251-112201 | Cash account       | x,xxx |        |
|         |                                | 113021-120151 | Investment account |       | x,xxx  |
|         |                                | 442020        | Gain/loss on sale  | x,xxx |        |

**A. Custodial Credit Risk**  
**B. Concentrations of Credit Risk**

| Financial Instrument   | Applies to A Only | Applies to A and B | Applies to B Only |
|--|-------------------|--------------------|-------------------|
|  | Deposit           | Investment         |                   |
|  |                   | Security           | Not Security      |
| Checking account   | X                 |                    |                   |
| Demand deposit   | X                 |                    |                   |
| Savings Account  | X                 |                    |                   |
| Time deposit   | X                 |                    |                   |
| NOW account  | X                 |                    |                   |
| Negotiable CD  |                   | X                  |                   |
| Non-negotiable CD  | X                 |                    |                   |
| Money market account at financial institution  | X                 |                    |                   |
| Money market mutual fund   |                   |                    | X                 |
| Bank Investment Contract (BIC)   | X                 |                    |                   |
| Savings and Loan Investment Contracts (SLIC)   | X                 |                    |                   |
|  |                   |                    |                   |
| GIC (is a contract, not a security)  |                   |                    | X                 |
| Annuity Contracts  |                   |                    | X                 |
| US government security   |                   | X                  |                   |
| Government-sponsored entity debt (e.g., FNMA)  |                   | X                  |                   |
| Bankers' acceptance  |                   | X                  |                   |
| Commercial paper   |                   | X                  |                   |
| Corporate bonds  |                   | X                  |                   |
| Municipal debt securities  |                   | X                  |                   |
| Corporate stock/equity securities  |                   | X                  |                   |
| Asset-backed securities  |                   | X                  |                   |
| Real estate  |                   |                    | X                 |
| Closed-end mutual fund   |                   | X                  |                   |
| Open-end mutual fund   |                   |                    | X                 |
| Unit investment trust  |                   | X                  |                   |
| Investment pool managed by another government  |                   |                    | X                 |
| Investment assets of IRC   |                   | X                  | X                 |
|  |                   |                    |                   |
| Investment in foreign markets (such as Eurodollar CD's or obligations of World Bank or other international agency) |                   | X                  |                   |
|  |                   |                    |                   |
| Venture capital investment   |                   |                    | X                 |
|  |                   |                    |                   |
| Investment in limited partnership  |                   |                    | X                 |
|  |                   |                    |                   |
| Investment in private placement  |                   |                    | X                 |
| Direct investments in mortgages and other loans  |                   |                    | X                 |

## **SECTION: RECEIVABLES**

Receivables are amounts due for goods or services delivered but for which no collection has been made. Receivables of all types are accounted for in accounts 124001 – 137001.

### **Student Receivables**

Student receivables include amounts due for tuition, fees, food service, room and board charges and apartment rent and are generated by and managed in the student finance module and/or ancillary modules. Student finance module transactions should be balanced to the entries uploaded and posted to the general ledger. Manual accounts receivable can be recorded using account 124003 (AR-Nonstudent Non G/C).

### **Credit Policy**

SBHE Policy 830.1, summarized below, outlines the billing and collection policy for student accounts.

- All tuition and fees shall be paid within the first 12 school days of the term unless the student is expected to receive financial aid or is participating in an approved plan providing for delayed payment.
- Financial aid disbursements may be applied directly to student charges.
- Tuition, fees, room, board and other charges may be billed to a third party payor.
- Institutions may provide for a 30-day "billing" period for collection of flight fees, parking fines and other payments not practical on an advance "cash payment" basis.
- Institutions may assess a carrying charge not to exceed 1.75% per month on any charge not paid within 30 days of the date due. See also NDCC 13-01-14 for more on late fees.

### **Allowance for Doubtful Accounts**

An allowance for doubtful accounts should be established and reviewed annually for every fund in which a portion of that fund's accounts receivable is estimated to be uncollectible. At year-end, an allowance for doubtful receivables should be calculated based on the institution's bad debt history. Aging reports and queries in the Student Finance module are used to assess collectability. An entry should then be made to increase or decrease the allowance as appropriate. In addition, accounts should be written off if the likelihood of collection is remote. Common entries are as follows:

| Ledger  | Transaction                       | Acct # | Acct Descr.         | Debit | Credit |
|---------|-----------------------------------|--------|---------------------|-------|--------|
| Actuals | Increase doubtful accts allowance | 621065 | Bad debts           | x,xxx |        |
|         |                                   | 124201 | AR-allowance        |       | x,xxx  |
| Actuals | Write off uncollectible A/R       | 124201 | AR-allowance        | x,xxx |        |
|         |                                   | 124001 | Accounts receivable |       | x,xxx  |

### **Loans Receivable**

Loans receivable include amounts due from students that are evidenced by a signed loan agreement, such as Perkins loans, other federal loans and short-term institutional loans.

The ND Student Loan Service Center in Fargo manages collection of the Perkins loans and other federal loans. Each month, NDSLSC sends a check (or ACH) to each institution for payments received from students. These receipts need to be recorded as follows to update the general ledger so the notes receivable balance matches the records of the NDSLSC.

| Ledger  | Transaction         | Acct # | Acct Descr.           | Debit | Credit |
|---------|---------------------|--------|-----------------------|-------|--------|
| Actuals | Cash revd           | 105251 | Cash                  | x,xxx |        |
|         | Interest on loans   | 442030 | Interest Inc. -Loans  |       | x,xxx  |
|         | Late/svc chgs       | 462085 | Late charges          |       | x,xxx  |
|         | Int. on cash/invest | 442035 | Interest Inc – nonop. |       | x,xxx  |
|         | Principal pd.       | 126002 | Loans receivable      |       | x,xxx  |

At year-end, the NDSLSC will provide an aging report of outstanding loans. From this report, the allowance for uncollectible loans should be calculated and an entry made as follows:

| Ledger  | Transaction                  | Acct # | Acct Descr.       | Debit | Credit |
|---------|------------------------------|--------|-------------------|-------|--------|
| Actuals | Allowance for doubtful loans | 621065 | Bad debts         | x,xxx |        |
|         |                              | 126202 | Loans Rec.-allow. |       | x,xxx  |

The NDSLSC provides the amount of cancelled loan principal (as a result of various forgiveness provisions or uncollectability) that needs to be recorded in the general ledger with the following entry:

| Ledger  | Transaction           | Acct # | Acct Descr.        | Debit | Credit |
|---------|-----------------------|--------|--------------------|-------|--------|
| Actuals | Cancel loan principal | 621300 | Loan princ cancel. | x,xxx |        |
|         |                       | 126002 | Loans Receivable   |       | x,xxx  |

When there are cancellations due to bad debt write offs/loan assignments to the Department of Education the entry that needs to be recorded in the general ledger is as follows.

| Ledger  | Transaction           | Acct # | Acct Descr.                   | Debit | Credit |
|---------|-----------------------|--------|-------------------------------|-------|--------|
| Actuals | Cancel loan principal | 126202 | Loans Receivable - Allowances | x,xxx |        |
|         |                       | 126002 | Loans Receivable              |       | x,xxx  |

**Interest Receivable**

Interest receivable on investments is recorded at year-end to accrue income from the date of the last credit of interest to the fiscal year-end.

**Grants and Contracts Receivable**

Grants and contracts receivable are amounts due from federal, state, local or private entities for expenditures incurred under grants and contracts, but not reimbursed. An entry at year-end should be made to record a receivable in each project, to appropriately reflect the activity for the financial statements.

**Appropriation Receivables**

Appropriation receivables are amounts due from the state for general fund expenditures that have been incurred, for which the funds have not yet been drawn. If appropriate, a receivable should be recorded at year-end for operating and/or capital expenditures, in their respective funds.

**Due from Other NDUS Institutions**

Record amounts due from other NDUS institutions in account 137005. Generally, this account will only be used at year-end.

**SECTION: LEASE RECEIVABLES**

Lease receivables are accounted for under GASB 87 – Leases. GASB 87 defines leases as short-term, long-term that transfer ownership and long-term that does not transfer ownership. To determine the lease term, refer to the Lease Liabilities section in this manual.

Short-term lease receivables are recorded to revenue when received.

A long-term lease that transfers ownership of the asset to the lessee by the end of the lease term is recorded as a sale of the asset by the lessor.

A long-term lease that does not transfer ownership by the end of the contract should be recorded as a lease receivable and a deferred inflow of resources at the start of the term. (Refer to GASB 87 for certain exceptions for leases of assets held as investments and regulated leases). The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured as the lease receivable balance adjusted for prepayments received or incentives paid.

| Ledger  | Transaction                     | Acct # | Acct Descr.                  | Debit | Credit |
|---------|---------------------------------|--------|------------------------------|-------|--------|
| Actuals | Record initial lease receivable | 123002 | Lease receivable-noncurrent  | x,xxx |        |
|         |                                 | 105251 | Cash (if incentive paid)     |       | x,xxx  |
|         |                                 | 235005 | Deferred inflow of resources |       |        |
|         |                                 |        |                              |       | x,xxx  |

When determining the receivable, variable payments that depend on an index or a rate or those that are fixed-in substance are included in the measurement of the lease receivable.

All other variable payments, such as those based on future performance of the lessee or usage of the underlying asset, are not included in the measurement of the lease receivable.

**Note:** At the end of the fiscal year, reclass the current portion of the lease receivable to 123001-Lease Receivable-Current

When lease payments are received, the following entry is made:

| Ledger  | Transaction                    | Acct #                             | Acct Descr.                 | Debit | Credit |
|---------|--------------------------------|------------------------------------|-----------------------------|-------|--------|
| Actuals | Record lease payments received | 105251 or appropriate cash account | Cash                        | x,xxx |        |
|         |                                | 123002                             | Lease receivable-noncurrent |       | x,xxx  |
|         |                                | 442035                             | Interest revenue            |       | x,xxx  |

Lease revenue is recognized in a systematic manner over the term of the lease as follows:

| Ledger  | Transaction             | Acct # | Acct Descr.                  | Debit | Credit |
|---------|-------------------------|--------|------------------------------|-------|--------|
| Actuals | Record interest revenue | 235005 | Deferred inflow of resources | x,xxx |        |
|         |                         | Varies | Lease revenue                |       | x,xxx  |

**SECTION: OTHER ASSETS**

Other assets are accounted for in accounts 141001 – 144002 and 161002-162102.

**Inventories**

Inventories represent goods held for general distribution by central stores and recharge centers or goods held for resale by auxiliary enterprises and for. Inventories are generally stated at cost plus freight and are generally accounted for under the first-in, first-out, or moving weighted average methods. A physical count of inventory should be conducted on at least an annual basis to verify the accuracy of the amount recorded in the general ledger. When the inventory count is completed, the information should be forwarded to the Controller’s office where any necessary adjustments will be made to the general ledger.

**Prepaid Expenses**

By the end of the fiscal year, all prepaid expenses should be recorded in the general ledger in account 142002.

**Bond Issuance Costs and Discounts** – See Long-Term Liabilities Section

## **SECTION: CAPITAL ASSETS AND INTANGIBLES**

Capital assets and intangibles are accounted for in accounts 151002 – 152127. Capital assets consist of real property such as land, buildings and improvements thereon, and personal property which includes equipment, library books and collections. Capital asset policies and categories are described below.

All NDUS institutions are required to use the PeopleSoft Asset Management module to record and track land, building, improvements, infrastructure, equipment and intangibles assets as well as accumulated depreciation for each of the categories.

### **Capitalization Policy:**

Information on capitalization thresholds can also be found in appendix A at

### **Land**

All tracts of land acquired by purchase, gift, bequest or other means should be capitalized. Land that is purchased shall be capitalized at the purchase price plus ancillary charges such as broker and legal fees and expenses incurred in preparing the land for use, such as building demolition and grading. Donated land should be capitalized at fair market value at the date of the gift or bequest. An independent professional appraisal is appropriate for establishing the valuation of land and buildings acquired by gift or bequest. Minimum capitalization threshold is greater than or equal to \$10,000.

### **Land Improvements & Infrastructure**

Land improvements include such items as parking lots, fencing, gates and athletic fields. Work to maintain land improvements in existing condition should be expensed. Work to improve the land should be capitalized.

Infrastructure includes items such as streets, street lighting, roads, sidewalks, bridges, tunnels, curbs, utility distribution systems and storm sewers. An institution should only capitalize infrastructure if it has title to the asset. Bond documents, city or county minutes or departmental records may need to be reviewed to determine proper title. Work to maintain infrastructure assets in existing condition should be expensed. Work to improve the institution's infrastructure should be capitalized. Minimum capitalization threshold is greater than or equal to \$10,000.

### **Buildings & Building Improvements**

This category consists of all structures used for operating purposes and includes all permanently attached fixtures, machinery, and other components. If a component can be removed without damaging the building, it is considered equipment and should not be included in the value of the building. When a building is purchased or acquired by donation, the valuation method to be utilized is the same as that for land. If a building is constructed, all direct costs of construction (including work performed by university personnel) are included in the capitalized value of the building. Interest expense relating to construction is also capitalized, net of interest income earned on resources set aside for the construction or remodeling costs.

This category also includes significant structural changes that increase the building’s usefulness, efficiency, or useful life. Alterations, structural changes and extraordinary repairs and replacements that increase the usefulness, efficiency or life of existing buildings should be added to the recorded value as noted above. Work to maintain buildings in existing condition, such as painting or repairs, should be expensed. Minimum capitalization threshold is greater than or equal to \$10,000.

**Repairs versus Capitalized Improvements**

Expenditures to maintain a capital asset in its normal good state of repair are considered ordinary repairs and replacements. Such items are reported as expenditures and are not capitalized. Examples are replacement or repair of floor coverings or roofs, reconditioning by replacing small parts, painting or regular maintenance costs.

Extraordinary repairs and replacements are major repairs and replacements made, not to keep an asset in its normal state of repair, but to extend its useful life beyond that originally estimated. Such items costing greater than or equal to \$10,000 are capitalized and depreciated over the remaining life of the asset.

The following accounts are to be used for land, land improvements & infrastructure, buildings & building improvements, construction in progress costs that are capitalized per the definition above:

| Acct#  | Acct Descr.                                |
|--------|--|
| 682005 | Architect Fees Capitalized                 |
| 682007 | Consulting Capitalized                     |
| 682015 | Engineering Fees Capitalized               |
| 682020 | Building Improvements Capitalized          |
| 682030 | Electrical Contractor Capitalized          |
| 682040 | General Contractor Capitalized             |
| 682050 | Heating/Ventilation Capitalized            |
| 682060 | Land & Site Preparation Capitalized        |
| 682070 | Surveying Capitalized                      |
| 682075 | Testing Services Capitalized               |
| 682080 | Internal Labor Capitalized                 |
| 682085 | Internal Materials Capitalized             |
| 682090 | Other Capital Payments Capitalized         |
| 682100 | Plumbing Mechanical Contractor Capitalized |
| 682110 | Special Assessments                        |
| 682113 | Furniture Capitalized                      |
| 682115 | Asbestos Capitalized                       |

### **Capital Improvement Fund and Account Coding**

Generally, costs in the capital account code group (682000-682115) are charged to a capital improvement type of fund (local, appropriated, or grant). It is permissible to use capital account codes in operating funds, to a certain extent. Small remodeling projects (between \$10,000 and \$100,000) or other small capital costs may be charged to an operating fund.

Generally, costs incurred in a capital improvement type of fund are for costs coded to the capital account code group (682000-682115). It is permissible to use non-capital account codes in a capital improvement type of fund. In certain cases, appropriated extraordinary repair projects are most appropriately classified as repairs, based on the NDUS capitalization policy.

For purposes of capital tracking report preparation, the capital codes charged to operating funds should be included. Non-capital costs in capital improvement funds should also be reported in the capital tracking report. Each year's costs in the capital tracking report should be reconciled to the total of the capital improvement funds (both capital & non-capital account codes), plus any capital costs charged to operating funds.

### **Construction in Process**

This category includes all capitalizable costs incurred in the construction or fabrication of an asset, which is not completed at the end of the fiscal year. Interest expense relating to construction is capitalized, net of interest income earned on resources set aside for the construction or remodeling costs. These costs are not depreciated until the asset is substantially complete.

### **Equipment**

This category includes personal property that is movable. Equipment may be purchased, fabricated, or received by donation. Purchased equipment should be capitalized at invoice cost (less all discounts) plus any freight, installation costs and any trade-in allowance. Fabricated equipment should be capitalized using all direct costs associated with fabrication and installation of the item. Donated equipment is capitalized at fair market value as of the date of the gift.

Each institution should establish an inventory system that provides for accountability of capitalized equipment. Equipment should be "tagged" with identifying numbers. An investigation should be made of equipment not found during periodic physical inventories, and such equipment should be removed from the records.

The following accounts should be used when paying an invoice for individual equipment purchases (including enhancements) costing greater than or equal to \$10,000. The following groups of accounts are used to record these acquisitions of capitalized equipment.

| Transaction               | Acct#         | Acct. Descr.      |
|---------------------------|---------------|-------------------|
| IT Equipment > = \$10,000 | 693005-693025 | Major Equip-IT    |
| IT Equipment > = \$10,000 | 691005-691040 | Major Equip-Other |

## Library Books

Library books should be capitalized at their purchase price plus shipping and any incidental costs. Donated books should be recorded at fair value as of the date of the gift. Rare books that are considered “collections” similar to works of art and historical treasures should follow the guidance for collections below.

Account codes 532020-532090 are used for the purchase of library materials that may be capitalized at year-end.

| Acct   | Acct Descr. |
|--------|-------------|
| 532020 | Books       |
| 532085 | Periodicals |

## Intangible Assets

This category includes assets that benefit institutions through special rights and privileges of their ownership as opposed to the physical characteristics (e.g. patents, copyrights, leases, licenses). Capitalization is required in accordance with GASB, SFAS 51.

Account codes to be used for costs related to the acquisition of intangible assets are:

### Large Intangible Asset Costs Capitalized - Intangible Assets

*(Use the codes below if at the onset the total expenses are expected to be greater than or equal to \$25,000; except for Website Intangibles, Internally Developed Software, and Capitalized Software which have other thresholds noted below.)*

| Acct#  | Acct Descr.  |
|--------|--|
| 691065 | Website - Intangible Asset (\$50,000 or more threshold if internally developed, see Definitions below) |
| 691045 | Mineral, Water, Timber Rights - Intangible Asset   |
| 691070 | Other Easements - Intangible Asset   |
| 691075 | Right of Way - Intangible Asset  |
| 691050 | Copyright - Intangible Asset   |
| 691060 | Trademark - Intangible Asset   |
| 691080 | Logos - Intangible Asset   |
| 691055 | Patent - Intangible Asset  |
| 693030 | Internally Developed Software - Intangible Asset (\$50,000 or more threshold - See Definitions below)  |
| 693035 | Capitalized Software - Intangible Asset (\$10,000 or more threshold) (See Definitions Below)           |

## **Definitions**

**Intangible Assets** – Intangible assets lack physical substance (cannot be physically touched), are non-financial in nature and the useful life extends beyond one year.

**Software (Purchased)** – Most purchased software is not capitalized, even if the cost exceeds \$10,000, because what is usually being paid for is an annual maintenance fee or license to use the software for one year or less. Since the cost is only benefitting one year, it should be considered an operating expense and coded to account 531015. If a perpetual license is purchased (lifetime or license for more than one year), the institution owns the software and the cost is greater than or equals \$10,000, the license should be capitalized using account code 693035.

**Internally Developed Software** – Use account code 693035 for all costs if at the start of an internally developed software project the total costs are expected to be greater than or equal to \$50,000. In addition to the \$50,000 or more threshold, the project must have specific objective and service capacity; demonstrate feasibility to complete the project, and demonstration of an intention to develop the software. If software is developed while research is being conducted and it did not have that objective or service capacity at the beginning of the research, the costs would not be capitalized.

**Website** – Account code 691065 should be used to account for all costs if at the start of a web project the total costs related to the development of a website internally (by university personnel) are expected to be greater than or equal to \$50,000. Also use 691065 for any costs related to the development of a website by a 3<sup>rd</sup> party and costs are expected to be greater than or equal to \$25,000 at the onset of the 3<sup>rd</sup> party agreement. If an existing web site is being updated and considered more of maintenance than enhancements, those costs should be expensed in the period the expense is incurred and *not* recorded with account code 691065.

## **Collections**

**GASB Statement 34 defines** collections as “works of art, historical treasures, or similar assets that are (a) held for public exhibition, education, or research in furtherance of public service rather than financial gain,, (b) protected, kept unencumbered, cared for, and preserved, and (c) subject to organizational policy that requires the proceeds of items that are sold to be used to acquire other items for collections.” Works of art, historical treasures, and similar assets that do not meet the above definition are not considered to be collections and must be capitalized.

**The NDUS chooses not to capitalize collections,** but a comprehensive list should be maintained by each institution for insurance purposes. Purchased “collections” should be expensed. Donated “collections” should be recorded as Contribution and Donations Revenue and Operating Expense in equal amounts, as required by GASB Statement 33.

## **Subscription-Based Information Based Technology Arrangements (SBITAs)**

Beginning in FY2023, institutions are required to account for SBITAs using *GASB 96-Subscription-Based Information Based Technology Arrangements*. Additional GASB 96 resources, including example entries, are located in the Public Documents folder in the Controllers Group Teams site. SBITAs are tracked and accounted for using PeopleSoft Lease Administration and Asset Management. UND uses the Debt Book system.

SBITAs agreements entered into or extended after June 30, 2023 and whose total payments are greater than or equal to \$200,000 over the life of the agreement are capitalized. The threshold for agreements entered into prior to fiscal year 2024 is \$25,000.

Institutions are responsible for assessing IT agreements to determine if they meet the criteria for GASB 96 accounting treatment using the GASB 96 SBITA Determination Worksheet located in the Public Documents folder in the Controllers Group Teams site.

A SBITA is defined in GASB 96 as “a contract that conveys control of the right to use another party’s (a SBITA vendor’s) IT software, alone or in combination with tangible capital assets (underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction”. This definition includes cloud-based subscriptions and non-cloud based subscriptions.

SBITAs grant an institution the right to use a vendor’s IT assets for a limited period specified in the contract and do not allow an institution to own or use the vendor’s IT assets indefinitely.

To determine control of the right to use the underlying IT assets, both of the following must exist:

- Right to obtain the present service capacity from use of the underlying IT assets as specified in the contract.
- Right to determine the nature and manner of use of the underlying IT assets as specified in the contract.

Examples of possible SBITAs:

- SaaS (*Software as a Service*): provides customer the ability to use a SBITA vendor’s software through the cloud.
- PaaS (*Platform as a Service*): allows customer to use a SBITA vendor’s tools or coding language (software) to create applications that run on SBITA vendor’s cloud infrastructure.
- IaaS (*Infrastructure as a Service*): allows customer to remotely access SBITA vendor’s network, server and other computing tools to process, store and operate the customer’s data.
- DWaaS (*Data Warehouse as a Service*): a service provider sets up, maintains, secures and upgrades a data warehouse. Example: AWS.

The following types of agreements are excluded from GASB 96:

- Contracts that meet the definition of a lease in GASB 87, where the software component is insignificant when compared to the cost of the underlying asset. These agreements are accounted for as leases under GASB 87.
- Institutions that provide the right to use their IT software to other external entities through SBITAs (as a passthrough and therefore not the end user).
- Contracts that meet the definition of public-private and public-public partnerships in GASB 94.
- Licensing arrangements that provide a perpetual license (record under GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*).
- Contracts that only provide IT support services. However, GASB 96 includes contracts that contain both a right-to-use IT asset component and IT support services).
- Contracts that are not an exchange or exchange-like transactions. For example, a contract that is significantly below the market rate (ie. \$1.00). Exchange and exchange-like transactions are defined in GASB 33.
- Subscriptions for online publications, such as newspapers, magazines and professional journals **IF** the arrangement only provides access to view an online publication database because we are paying for access to the underlying content and not for the software that is required to access the site. There may be a software component to some of these arrangements, but it is considered immaterial to the contract as a whole.

However, IF the subscription also contains functionality to perform calculations or other manipulations, it needs to be assessed further to determine if it meets the criteria for a SBITA.

**SBITA Subscription Term:**

The subscription term starts when an institution has a noncancellable right to use an underlying IT asset, plus the following periods, if applicable:

- Periods where the institution and/or vendor has an option to extend the SBITA when reasonably certain the institution and/or vendor will exercise this option.
- Periods where the institution and/or vendor has an option to terminate the SBITA when reasonably certain the institution and/or vendor will not exercise this option.

Periods where both the institution and the vendor have an option to terminate the SBITA without permission from the other party (or if both parties have to agree to extend) are cancellable periods and are excluded from the subscription term.

A fiscal funding or cancellation clause in the agreement does not affect the term, unless it is reasonably certain that the clause will be exercised. For example, severe state cutbacks. This should rarely, if ever, occur.

## Types of SBITAs

**Short-term SBITAs:** A SBITA that, at the beginning of the subscription term, has a maximum possible term of 12 months or less. This includes any options to extend, regardless of the probability of being exercised. Short-term SBITAs are expensed as payments are made. No capital asset or long-term liability should be recognized for short-term SBITAs.

**SBITAs greater than 12 months (Long-Term SBITAs):** A SBITA that, at the beginning of the subscription term, has a maximum possible term of greater than 12 months. This includes any options to extend, regardless of the probability of being exercised.

The term begins when the subscription asset is placed into service. This occurs when:

- The initial implementation stage is completed.
- The institution has obtained control of the right to use the underlying IT assets.

For arrangements starting on or before July 1, 2022, the asset and liability should be recognized and measured using the facts and circumstances at July 1, 2022.

The subscription liability is measured at the present value of all payments expected to be made during the subscription term, including the following:

- Fixed payments,
- Variable payments that depend on an index or a rate (example, Consumer Price Index or a market interest rate), measured using the index or rate at the start of the subscription term,
- Variable payments that are fixed in substance,
- Payments for penalties for terminated the SBITA, if the subscription term reflects the institution exercising an option to terminate or a fiscal funding or cancellation clause.
- Any subscription contract incentives receivable from the vendor,
- Any other payments to the vendor associated with the contract that are reasonably certain of being required.

Long-term SBITA assets are measured as follows:

- Initial subscription liability amount,
- Plus, payments made to the vendor before commencement of the subscription term,
- Plus, implementation costs that can be capitalized,
- Less any incentives received from the vendor at or before the start of the subscription term.

The SBITA asset is recorded as a right-to-use intangible asset and a SBITA liability is recorded at the beginning of the subscription term, using the PeopleSoft Lease Administration and Asset Management modules. The SBITA asset is amortized in Asset Management over the SBITA term.

The SBITA liability is calculated as the present value of all payments expected to be made during the lease term. The SBITA Lease Administration training documentation is located in Training Documentation Folder in the NDUS Controllers and Financial Users Teams site.

Variable payments based on future performance of the institution, usage of the underlying IT asset, or number of user seats should be expensed as incurred, and not included in the subscription liability.

Future subscription payments are discounted using the stated interest rate. If the interest rate is not stated in the agreement, the NDUS determined incremental borrowing rate is used. The NDUS system office will determine the incremental borrowing rate on an annual basis. The amortization of the discount on the subscription liability is recognized as interest expense.

Payments made prior to the start of the subscription term are accounted for as prepayments. Payments made for capitalizable initial implementation costs prior to the start of the subscription term should be accounted for as development in process (general ledger account *681026-SBITA DIP Additions* ). At year-end, a reclass entry is made in the full accrue ledger to capitalize the balance in 681026 by crediting 681071-SBITA DIP Deletions and debiting account 151158-SBITA Development in Process. When the SBITA is fully implemented and operational, the balance in account 151158 is included in the SBITA asset balance.

Prepaid assets and development in process are not included in the SBITA liability.

Vendor incentives that are fixed or fixed in substance and provide payments after the start of the subscription term are factored into the present value of the subscription payments for the periods that the incentive payments will be provided, when initially measuring the subscription liability. An example of a payment that is “fixed in substance” is a fixed price regardless of how many seats are used.

Institutions should assess each SBITA at least annually for changes to the contract price, lengthening or shortening the subscription term, index or rate change dependent on variable payments, adding or removing underlying IT assets, or other factors that may impact the expected subscription payments and could possibly require remeasuring the subscription liability.

**Capitalizable initial implementation costs:** Activities associated with a SBITA project, other than making subscription payments, are grouped into the following stages.

| Stage                            | Activities  | Accounting           |
|----------------------------------|---|----------------------|
| <b>Preliminary Project Stage</b> | Conceptual formulation, evaluating alternatives, determining needed technology and final selection. | Expense as incurred. |

|  |   |   |
|--|---|---|
| <b>Initial Implementation Stage</b>                  | All necessary charges to place the subscription asset into service, including design, configuration, coding, testing and installation | Capitalize, except for short-term SBITAs. Short-term SBITAs are expensed as incurred.   |
| <b>Operation and Additional Implementation Stage</b> | Subsequent implementation activities; maintenance, troubleshooting, and other activities for ongoing operations.                      | Expense as incurred. Capitalize if activity is related to increasing the efficiency of or adding to the functionality of the subscription asset in a way that did not exist before. |
| <b>All Stages</b>                                    | Training  | Expense as incurred.  |

## Components

If a contract contains both a subscription component and a non-subscription component, the institution accounts for the subscription and non-subscription components as separate contracts unless the contract does not include prices for individual components or the prices appear to be unreasonable. Professional judgment may be necessary.

The contract price should generally be allocated to the different components based on the stand-alone price of each component in the contract.

If multiple components are accounted for as a single SBITA, the accounting for that SBITA should be based on the primary subscription component within that SBITA.

## Reviewing agreements for possible SBITA accounting treatment:

**1. Identifying possible SBITAs:** *(the actions below are not in any particular order of significance and are not considered to be all-inclusive. Actions may vary from campus-to-campus).*

Suggested actions to identify potential SBITAs:

- Consult with your institution’s IT department for software agreements entered into or existing agreements that were modified during the year.
- Review IT vendor activity.
- Review existing IT leases for significant software components.
- Review general ledger expenditures related to software and IT subscriptions.
- Exclude software agreements that are purchased by CTS and billed to your campus.

**2. Determining if agreements identified in #1 above qualifies as a SBITA:**

It is recommended, but not required, that campuses use the “GASB 96- SBITA Inventory Worksheet” located in the public files section of the Controllers Group Teams site.

The following are a few questions that may be helpful to ask when using the SBITA inventory Worksheet:

- **Will this software no longer work or will we no longer be able to log in once the contract term ends?**  
If answer is “Yes”, it is likely that a SBITA exists. Note: Perpetual software licenses are excluded. For example, Excel version 95 that was installed in your computer several years ago.
- **Does the contract provide the right to use the IT software?**  
If answer is “Yes”, it is likely that a SBITA exists. Note: GASB 96 covers temporarily leased software, not internally created software. It also excludes contracts that only provide maintenance, support of training IT services. GASB 96 is focused on contracts that provide the right to determine the nature and manner of the use of the IT software.
- **Is the maximum contractual term of the contract, including any contractually bound options to extend (by lessee or lessor) 12 months or less?**  
If answer is “Yes”, this a short-term SBITA and is expensed as payments are made.  
If answer is “No”, it is likely that a SBITA exists. If it is a SBITA, it is recorded as an right-of-use intangible asset and a subscription liability.

### **3. If a SBITA exists, determining the length of the term:**

The terms starts when an institution has a non-cancellable right to use the underlying IT assets. This is the period during which the vendor does not have the ability to cancel the contract, increase or decrease rate, or change the benefits/terms of the service. The period can also include an option for the institution or the vendor to extend or terminate the contract, if it is reasonably certain that either of these options will be exercised.

Once a term is set, institutions should revisit the term on at least an annual basis or if one or more of the following occurs:

- The potential option to extend or terminate is exercised by either the institution or the vendor.
- The potential option to extend or terminate is not exercised by either the institution or the vendor.
- An extension or termination of the SBITA occurs.

### **Leased Assets**

Institutions are required to apply the criteria of GASB 87 - Leases, to determine when a lease agreement requires capitalization. Effective July 1, 2025, the capitalization threshold for leased assets is greater than or equal to \$10,000. Institutions should record both the capital asset and the associated liability as noted in the Long-term Liabilities section of this manual. Refer to the Long-term Liabilities section of this manual for more information.

## Sale of capital assets

Capital assets that are sold should be removed from the accounting records. Receipt of cash for capital assets should be recorded as follows:

| Ledger  | Transaction                               | Acct#  | Acct Descr.           | Debit | Credit |
|---------|---|--------|-----------------------|-------|--------|
| Actuals | Record proceeds of sale of capital assets | 105251 | Cash                  | x,xxx |        |
|         |   | 462060 | Excess Property Sales |       | x,xxx  |

The sales proceeds are input to PeopleSoft Asset management in deleting the sold equipment item and are used in calculating a gain or loss on disposal.

## Accumulated Depreciation

The NDUS calculates depreciation using the straight-line method over the following estimated useful lives. Currently, all Institutions, except UND and NDSU, use the ½ year convention. UND and NDSU use the full-year straight-line method. The composite method is used for library book depreciation. All books purchased during a year are consolidated together and depreciated as a group of assets rather than individually.

|                       |               |
|-----------------------|---------------|
| Land Improvements     | 10 – 50 years |
| Infrastructure        | 20 – 60 years |
| Buildings             | 10 – 50 years |
| Building Improvements | 10 – 50 years |
| Equipment             | 3 – 20 years  |
| Intangibles           | 5 – 30 years  |
| Library Books         | 10 years      |

The above range may vary by institution depending on specific circumstances. In order to estimate useful lives, institutions may use facilities management industry guidelines, the institution’s prior experience, and information from other similar public and private institutions as long as they are within OMB’s guidelines. Generally equipment is assigned a salvage value of zero both to ease calculation and to be consistent with amounts received in the past when the institution has scrapped equipment.

Examples of fixed asset journal entries can be found at <http://www.ndus.edu/employees/accounting-manual-forms/>.

## Fair Value

If a capital asset is held for investment, it should be measured at fair value. GASB 72 defines fair value as the price that would be received for an asset or paid to transfer a liability in a current transaction between marketplace participants. GASB 72 defines an investment asset as a “security or other asset that a government holds primarily for the purpose of income or profit and its present service capacity is based solely on its ability to generate cash or to be sold to generate cash.” The investment designation is made upon acquisition and remains for the life of the asset, even if the usage changes at a later time.

Assets designated as investments should be reclassified to investments for financial reporting purposes. Refer to the investment section of this manual for additional guidance on valuing and recording these investments.

Assets initially reported as a capital asset and later held for sale would not be reclassified as an investment.

### **Section: Deferred Outflows of Resources**

A deferred outflow of resources is defined as a consumption of net position by an institution that is applicable to a future reporting period. It has a positive effect on net position, similar to assets. GASB statement 63/65 requires these items to be reported in a separate section of the Statement of Net Position (SNP) (formerly the Statement of Net Assets). Examples of deferred outflows are:

- Service Concession Arrangements.
- Grant expenditures paid in advance of meeting timing requirements. This does **not** include those amounts paid in advance of eligibility requirements.
- Deferred amounts from refunding of debt (debit amounts).
- Cost to acquire rights to future revenues.
- Deferred loss from sale and leaseback.
- Negative fair value of government hedge of a future transaction (applies to derivatives).
- Actuarially determined portion of pension expense.
- Employer contributions to the pension plan subsequent to the measurement date of the net pension liability.

### **Section: Liabilities**

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Liabilities are debts owed by the Institution. Typically, debts must be paid by certain dates. Many liabilities are incurred by purchasing an item on credit. Other liabilities are assumed through the acquisition of assets or through the payroll process.

#### **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable are accounted for in accounts 201001 to 217001 and include all obligations of an institution for goods or services received, but for which no payment has been made.

#### **Accounts Payable Auditing**

Accounts payable transactions should be audited by the accounting department, using one of the methods below or a combination of both. Institutions should choose the method that best fits their institution's needs, risk assessment and staffing levels.

- Audit 100% of transactions.
- Sample Auditing. The following conditions must be in place before implementing this option. Institutions currently using sample auditing as of July 6, 2017 must comply with the following conditions by December 31, 2017.

- Methodology: Institutions must develop a methodology that includes:
  - The categories of transactions that will be audited (for example, electronic, paper transactions, travel, P-card, etc.)
  - Detailed description of how the samples are selected.
    - Include name of PeopleSoft queries used, if applicable.
  - Whether the sample is selected randomly or based on a monetary threshold, or a combination of both.
  - Monetary thresholds.
    - For example: “All transactions between \$x,xxx and \$x,xxx will be subject to sample auditing. All transactions greater than \$x,xxx will be audited at 100%”.
  - The methodology must be in writing and approved by the institution’s Vice-President of Finance. The approval must be documented in writing.
  - The methodology document must be retained and made available to auditors and NDUS System Office, if requested.

Whether 100% audit or sample auditing is chosen, the transactions should be audited, at a minimum, for the following:

- Existence of proper documentation. For example:
  - Invoices, receipts, signed contract
  - Purchase orders, if one was issued.
- Existence of proper approval.
- Proper account coding. Accuracy of amounts and quantity billed.
- Compliance with SBHE policies, NDUS procedures, institution policies and North Dakota century code.

The auditor should document and date the transaction, to indicate an audit of the transaction has been completed. Any exceptions or discrepancies found should be documented and the transaction returned to the originator for resolution.

### **Accounts/Vouchers Payable - 201001**

Vouchers created in the accounts payable module are typically posted to the general ledger with a debit to an expense account and a credit to accounts/vouchers payable. The credit to accounts/vouchers payable remains until the vouchers is paid. When paid, an entry debiting accounts/vouchers payable and a credit to cash is posted to the general ledger. At fiscal year -end, vouchers may be entered into the system and given an invoice and accounting date of the month prior to the payment date. The system will create a June 30<sup>th</sup> accounts/voucher payable entry with a date of 6-30-xx until the voucher is paid. The payable will be extinguished on the date the payment is made.

### **SUA Payable - 201050**

This account is used to track and reconcile outstanding single use account (SUA) payments that have yet to be processed by the supplier. Entries to this account are system-generated.

**Sales Tax Payable - 201101**

This account is used to record sales tax collections that have not been remitted to the State Tax Commissioner. Typically, sales tax collections are remitted to the State Tax Commissioner on a quarterly basis.

**Interest payable Current (203001) and Non-Current (203101)**

These accounts are used to record current and non-current interest payable on outstanding bonds Notes and Leases.

| Ledger  | Transaction                         | Acct # | Acct Descr.                    | Debit | Credit |
|---------|-------------------------------------|--------|--------------------------------|-------|--------|
| Actuals | Record accrued interest on L-T debt | 581025 | Equipment Lease Interest pymts | x,xxx |        |
|         |                                     | 701005 | Bond interest pymts            | x,xxx |        |
|         |                                     | 701015 | Notes payable-int. pymts       | x,xxx |        |
|         |                                     | 203001 | Interest payable               |       | x,xxx  |

**Contracts Payable – Construction (208001) & Contracts Payable-Retainages (208101)****208001 – Contracts Payable Construction**

Account used at year end to record the liability for amounts due to contractors. This account would be used when an actual payment is not available to be backdated.

| Ledger  | Transaction                             | Acct #        | Acct Descr.                   | Debit | Credit |
|---------|---|---------------|-------------------------------|-------|--------|
| Actuals | Record Contracts Payable – Construction | 682005-682115 | Capital project expenses      | x,xxx |        |
|         |   | 208001        | Contract Payable-Construction |       | x,xxx  |

**208101 – Contracts Payable - Retainages**

Account used during the year or at year end to record liability for amounts withheld from the amount due a contractor until the projects is complete.

Construction contracts typically will have a provision for an amount that is retained and paid at the end of the contract, after all final inspection of the work is completed. The cumulative amount the institution has retained on payments to contractors should be recorded in the accounting records at fiscal year-end as follows:

| Ledger  | Transaction                 | Acct #        | Acct Descr.                 | Debit | Credit |
|---------|-----------------------------|---------------|-----------------------------|-------|--------|
| Actuals | Record contractor retainage | 682005-682115 | Capital project expenses    | x,xxx |        |
|         |                             | 208101        | Contract Payable-Retainages |       | x,xxx  |

Due to Other Funds - Current (211001) and Due to Other Funds - Non Current (211101) – Due to Other Funds – Current – (reported on SNP to A/P and Accrued Liabilities) – Amount borrowed to another University Fund that is to be repaid within a year.

211101 – Due to Other Funds – Non Current – (reported on SNP to Other Non-Current Liabilities) – Amount borrowed to another University Fund that is not expected to be repaid within a year.

**Accounts Payable to CU Current (213001) and Non-Current (213101)**

These accounts should be used to record current and non-current amounts owed to component units for financial statement reporting purposes. Amounts due to component units within one year should be recorded using account 213001, those more than one year account 213101.

**Due to other State Agencies – 217001**

Accounts payable to North Dakota state agencies other than NDUS institutions outstanding as of June 30<sup>th</sup> should be reclassified to account 217001 in the FullAccrue Ledger and reversed on July 1<sup>st</sup>. Query NDU\_AP51 may be used to identify year-end payables due to other state agencies.

**Due to Other NDUS Institutions – 217005**

Records amounts due to other NDUS institutions at year end in account 217005. Generally, this account will only be used at year end.

**Interest Payable**

This account is used to accrue interest on long-term debt from the last payment date through fiscal year-end. The accrual is recorded on June 30 as follows in the retirement of indebtedness fund where the interest is paid:

| Ledger  | Transaction                         | Acct # | Acct Descr.              | Debit | Credit |
|---------|-------------------------------------|--------|--------------------------|-------|--------|
| Actuals | Record accrued interest on L-T debt | 701005 | Bond interest pymts      | x,xxx |        |
|         |                                     | 701015 | Notes payable-int. pymts | x,xxx |        |
|         |                                     | 203001 | Interest payable         |       | x,xxx  |

**ACCRUED PAYROLL**

Accrued salaries and fringe benefits are accounted for in accounts 223001 to 223101.

**Accrued Salaries Payable**

This account includes the accrued cost of salaries and wages earned by the employee at year-end, but for which payment has not yet been made. NDUS employees are paid semi-monthly with a two-week lag time. The CND staff provides directions to upload the system-generated entries to this account at year-end to record the salaries and wages earned for the two-weeks ended June 30 but not paid until the middle of July.

Faculty – 9mo Pd over 12 Liab

This account includes the accrued cost of salaries and wages earned by the employee, but not paid out yet. For example, if an instructor’s contract is August-May, but he/she chooses to be paid through July, the amount that has been earned, but not paid yet will be in this account.

Payroll Withholdings

This account records all amounts withheld from employee’s pay for which the institution has an obligation to remit to an outside agent. Examples of withholdings include flex benefits, AFLAC, employee FICA, federal and state taxes, NDPERS, and TIAA-CREF (employee’s portion). These accounts will have balances throughout the year, depending upon timing of payments to the vendors.

Health Insurance Payable

This account includes the health insurance amount that has been charged to each department each payroll. When the payroll payables have been paid to the vendor, there should not be a balance in this account. It should zero out each month.

Accrued Fringes Payable

This account records all amounts for which the employer is liable with the exception of health insurance. Examples of accrued fringes include NDPERS and TIAA-CREF (employer’s portion), TIAA disability, unemployment compensation, employer FICA, and workers’ compensation. These accounts may have balances throughout the year, depending upon timing of payments to the vendors.

Retirement/Tenure Payable

Institutions can negotiate early retirement and tenure agreements in accordance with SBHE Policy 703.1. When the employee and institution have signed the agreement, a payable needs to be recorded in the accounting records as follows:

| Ledger  | Transaction                        | Acct # | Acct Descr.               | Debit | Credit |
|---------|------------------------------------|--------|---------------------------|-------|--------|
| Actuals | Record early retirement agreements | 512005 | Salaries other            | x,xxx |        |
|         |                                    | 516055 | Health Insurance          | x,xxx |        |
|         |                                    | 516075 | Life Insurance            | x,xxx |        |
|         |                                    | 223101 | Retirement/tenure payable |       | x,xxx  |

The retirement payable at fiscal year-end needs to be recorded reversing the expenditure to reflect payments made during the year in the HRMS module:

| Ledger  | Transaction                                    | Acct # | Acct Descr.               | Debit | Credit |
|---------|--|--------|---------------------------|-------|--------|
| Actuals | Record payments on early retirement agreements | 223101 | Retirement/tenure payable | x,xxx |        |
|         |  | 512005 | Salaries other            |       | x,xxx  |
|         |  | 516055 | Health Insurance          |       | x,xxx  |
|         |  | 516075 | Life Insurance            |       | x,xxx  |

In addition, GASB 47 requires the retirement liability to include projections of health insurance cost increases, discounted to the present for financial statement purposes. This adjustment is included in the year-end template.

## **OTHER LIABILITIES**

Other liabilities are accounted for in accounts 224002 - 225005 and 234002, 234102 and 234202.

### **Deposits**

The deposit account reports an institution’s liability for amounts placed on deposit for such items as room deposits, key deposits, or lab breakage fees. These amounts may be returned to the depositor or utilized by the institution to cover expenses incurred in relation to the purpose of the deposit.

### **Unearned revenue**

The deferred revenue account reports payments received by the institution for which no goods or services have yet been delivered as of the fiscal year end. The recognition of revenue occurs in a subsequent fiscal period in which delivery is completed.

Summer school tuition revenue is a common unearned revenue item. Tuition and fee revenue is prorated to the appropriate fiscal year based on the number of days in the term that fall into each year. The prorated amount for the period of instruction that falls after June 30 is reclassified to unearned revenue for fiscal year-end reporting:

| Ledger     | Transaction                               | Acct # | Acct Descr.      | Debit | Credit |
|------------|---|--------|------------------|-------|--------|
| Fullaccrue | Record unearned revenue for summer school | 460001 | Tuition and fees | x,xxx |        |
|            |   | 225002 | Unearned revenue |       | x,xxx  |

## **SECTION: LONG-TERM LIABILITIES**

This section is based upon information from the Financial Accounting & Reporting Manual for Higher Education (FARM), Chapter 323 Bonds and Notes Payable and Chapter 326 Compensated Absences.

NDUS currently prepares the following footnotes related to long term liabilities for the annual financial statements:

- Pension Liability
- Long term Liabilities
  - Bonds Payable
  - Notes Payables
  - Leases Payable
  - Other Long-Term Liabilities
  - Compensated Absences

Long-term liabilities are liabilities expected to mature more than one year from the balance sheet date. These include the **noncurrent** portion of pension liability, bonds and notes payable, compensated absences, special assessments and long-term (greater than 12 months) lease agreements. The current portion of long-term liabilities should be adjusted once a year.

### **Pension Liability**

GASB 68 requires institutions to record the actuarially determined pension liability and corresponding expense, deferred inflow and deferred outflow related to the pension liability. During each year-end close, NDPERS will provide the amounts and corresponding accounts to the NDUS System Office who, in turn, will forward to the institutions. The full amount of the liability is recorded to account 234205 – Pension Liab - Noncurrent. There is not a current component for the pension liability.

### **OPEB Liability**

GASB 75 requires institutions to record the actuarially determined OPEB liability and corresponding expense, deferred inflow and deferred outflow related to the pension liability. During each year-end close, NDPERS will provide the amounts and corresponding accounts to the NDUS System Office who, in turn, will forward to the institutions. The full amount of the liability is recorded to account 234206 – OPEB Liability - Noncurrent. There is not a current component for the OPEB liability.

### **Long-Term Debt**

Public institutions often issue long-term debt to finance construction or acquisition of academic, student service, or auxiliary enterprise facilities. Such debt may be issued at par, or at a discount or premium. Bonds are often sold between interest payment dates. Certain bond issuance costs may be incurred. Bonds will carry interest requirements, generally paid semiannually. Bonds are generally paid in serial installments. Bonds and long-term notes may be retired by repayment, assumption by third parties, or by advance refunding that represent legal or “in-substance” defeasance of debt. Finally, bond covenants generally require reserve requirements for debt service and for renewals and replacements.

### **Bonds Payable**

The bonds payable account reports the institution’s liability for indebtedness represented by a bond indenture. Bonds payable are normally recorded in the investment in plant fund as they were incurred to acquire capital assets.

### **BOND ISSUE COSTS**

Bond issuance costs are expensed in the period they are incurred using account 671205- Bond Issuance Costs.

**REVENUE BONDS**

Proceeds from the issuance of revenue bonds should be receipted as follows in an unexpended plant fund:

*The cash could be deposited into an Investment in Plant fund but NDUS has always accounted for the cash in the same fund that pays for the purchases from the bond proceeds.*

| Ledger  | Transaction                      | Acct # | Acct Descr.         | Debit | Credit |
|---------|----------------------------------|--------|---------------------|-------|--------|
| Actuals | Record proceeds of revenue bonds | 105251 | Cash                | x,xxx |        |
|         |                                  | 483010 | Other bond proceeds |       | x,xxx  |

The principal balance payable on the bond should be recorded in the investment in plant fund as follows:

| Ledger     | Transaction                 | Acct #  | Acct Descr.           | Debit | Credit |
|------------|-----------------------------|---------|-----------------------|-------|--------|
| Fullaccrue | Record revenue bond payable | 483010  | Other bonds proceeds  | x,xxx |        |
|            |                             | 230102* | Bonds payable-noncurr |       | x,xxx  |

*By the end of the fiscal year, the current portion of the long term debt is coded to account 230002-Bonds Payable-Current for financial statement purposes. This is the amount of the bond issue that must be paid within a fiscal year. Use 230003-Bonds Payable to CU-Current for current portion of bonds payable to component units.*

*\*Use account 230103-Bonds Payable to CU-NonCurrent for the non-current portion of bonds payable to component units*

**STATE BONDS:**

Some NDUS capital projects are funded by the legislature with state bonds issued by the state bonding authority. Sometimes the institution will have a match requirement, which means the institution will be required to pay a portion of the bond principal and/or interest. Receipt of state bond proceeds from the bonding authority is recorded as follows:

| Ledger  | Transaction                                | Acct # | Acct Descr.       | Debit | Credit |
|---------|--|--------|-------------------|-------|--------|
| Actuals | Record proceeds of bonding authority bonds | 105251 | Cash              | x,xxx |        |
|         |  | 483005 | Bonding Authority |       | x,xxx  |

The principal balance payable on any match requirement of the state bond should be recorded in the investment in plant fund as follows:

| Ledger     | Transaction                     | Acct # | Acct Descr.           | Debit | Credit |
|------------|---------------------------------|--------|-----------------------|-------|--------|
| Fullaccrue | Record state bond match payable | 483005 | Bonding Authority     | x,xxx |        |
|            |                                 | 230102 | Bonds payable-noncurr |       | x,xxx  |

*By the end of the fiscal year, the current portion of the long term debt is coded to account 230002 for financial statement purposes. This is the amount of the bond issue that must be paid within a fiscal year.*

**SALE BETWEEN INTEREST PAYMENT DATES:**

When a bond is sold between payment dates, the bond purchaser pays for the accrued interest in addition to the bond. The example above assumed the bonds were sold on the first day of the interest period (and the fiscal year), July 1, 200X. If the bonds were sold at par on October 1, 200X (half way through the first interest period), the entry to investment in plant to record the bond sale would be:

| Ledger     | Transaction  | Acct # | Acct Descr.              | Debit | Credit |
|------------|--|--------|--------------------------|-------|--------|
| Fullaccrue | Record interest payment between payment dates at time of bonds purchased | 483010 | Bond Proceeds            | x,xxx |        |
|            |  | 203001 | Interest Payable Current |       | x,xxx  |

The entry to record the interest payment in investment in plant is as follows:

| Ledger     | Transaction  | Acct # | Acct Descr.              | Debit | Credit |
|------------|--|--------|--------------------------|-------|--------|
| Fullaccrue | Record interest payment between payment dates at time of bonds purchased | 203001 | Interest Payable Current | x,xxx |        |
|            |  | 701005 | Bond Interest Payments   |       | x,xxx  |

*This entry assumes the actual cash payment was recorded in the actuals ledger with a debit to 701005, bond interest payments.*

**SALE BETWEEN INTEREST DATES AND BONDS ISSUED AT A DISCOUNT OR PREMIUM:**

When bonds are sold between interest dates at a premium or discount, compute the accrued interest at the date of sale. The remaining amount is the unamortized balance of bonds payable. For example, if the bonds were sold on October 1, 200X, (three months until the next payment of 3 percent) at a price of \$10,355,000. The accrued interest payable would be \$150,000 ( $\$10,000,000 \times 06 \times 3/12$ ). The \$10,205,000 would be the net proceeds, resulting in a premium of \$205,000.

| Ledger     | Transaction  | Acct # | Acct Descr.   | Debit | Credit |
|------------|--|--------|---------------|-------|--------|
| Fullaccrue | Record interest payment between payment dates at time of bonds purchased | 144002 | Bond Discount | x,xxx |        |
|            |  | 483010 | Bond Proceeds |       | x,xxx  |

| Ledger     | Transaction | Acct # | Acct Descr.      | Debit | Credit |
|------------|-------------|--------|------------------|-------|--------|
| Fullaccrue |             | 701005 | Interest Expense | x,xxx |        |

|  |  |        |                                |  |       |
|--|--|--------|--------------------------------|--|-------|
|  | Record interest payment between payment dates at time of bonds purchased | 144002 | Bond Discount<br>Bond Proceeds |  | x,xxx |
|--|--|--------|--------------------------------|--|-------|

### Premiums and Discounts

When bonds are sold at a premium, the effective interest rate in the market is lower than the stated interest rate on the bonds, and the market is willing to pay a premium for the bonds. The proceeds from the bond premium are used for purposes specified in the bond agreement. Amortization of the premium results in a reduction of interest expense. The receipt of a premium does not affect the amount paid in interest.

When bonds are sold at a discount, the effective interest rate in the market is higher than the stated interest rate on the bonds, and the market is willing to pay a lower amount for the bonds. The proceeds are less than the par amount of the bonds, so interest expense would be greater than the interest paid. Bond discounts increase interest expense. A discount would be recorded as an asset at the time of the bond sale and amortization is calculated in the same manner described above for premium amortization.

The entries to record the asset or liability for the bond premium or discount at the time of bond issuance are as follows.

| Ledger     | Transaction                  | Acct # | Acct Descr.                      | Debit | Credit |
|------------|------------------------------|--------|----------------------------------|-------|--------|
| FullAccrue | Record revenue bond premium  | 483010 | Bond Proceeds                    | x,xxx |        |
|            |                              | 234105 | Unamortized bond <b>premium</b>  |       | x,xxx  |
|            |                              |        |                                  |       |        |
| Ledger     | Transaction                  | Acct # | Acct Descr.                      | Debit | Credit |
| FullAccrue | Record expense bond discount | 144002 | Unamortized bond <b>discount</b> | x,xxx |        |
|            |                              | 483010 | Bond Proceeds                    |       | x,xxx  |

The method to amortize a premium or discount is the effective interest method; that is, to multiply the effective interest rate by the amount actually borrowed. Another method of amortization of the premium or discount is the straight-line basis. This method can be used if yields amounts that are close enough to the effective interest method of amortization. With the straight line method, the premium or discount amortization is spread evenly over the life of the bonds. The entries would be to the same general ledger accounts using either the effective interest method or the straight-line method, but with different amounts.

When amortizing the discount, the interest expense is debited and bond discount (asset) is credited. When amortizing the premium, the interest expense is credited and bond premium (liability) is debited.

Example using effective interest method: If \$10,000,000 par value bonds with a stated interest rate of 6% and an effective interest rate of 5% were sold for \$10,460,339, the premium calculation over the life of the bonds using the effective interest method of amortization would be:

| <u>Effective<br/>Amount<br/>Borrowed</u> | <u>Effective<br/>Interest<br/>@2.5%</u> | <u>Payment</u> | <u>New<br/>Balance</u> |
|--|---|----------------|------------------------|
| \$10,460,339                             | \$261,508                               | \$ 300,000     | \$10,421,847           |
| 10,421,847                               | 260,546                                 | 1,300,000      | 9,382,393              |
| 9,382,393                                | 234,560                                 | 270,000        | 9,346,953              |
| 9,346,953                                | 233,674                                 | 1,270,000      | 8,310,627              |
| 8,310,627                                | 207,766                                 | 240,000        | 8,278,393              |
| 8,278,393                                | 206,960                                 | 1,240,000      | 7,245,353              |
| 7,245,353                                | 181,134                                 | 210,000        | 7,216,487              |
| 7,216,487                                | 180,412                                 | 1,210,000      | 6,186,899              |
| 6,186,899                                | 154,673                                 | 180,000        | 6,161,572              |
| 6,161,572                                | 154,039                                 | 1,180,000      | 5,135,611              |
| 5,135,611                                | 128,390                                 | 150,000        | 5,114,001              |
| 5,114,001                                | 127,850                                 | 1,150,000      | 4,091,851              |
| 4,091,851                                | 102,296                                 | 120,000        | 4,074,147              |
| 4,074,147                                | 101,854                                 | 1,120,000      | 3,056,001              |
| 3,056,001                                | 76,400                                  | 90,000         | 3,042,401              |
| 3,042,401                                | 76,060                                  | 1,090,000      | 2,028,461              |
| 2,028,461                                | 50,712                                  | 60,000         | 2,019,173              |
| 2,019,173                                | 50,479                                  | 1,060,000      | 1,009,652              |
| 1,009,652                                | 25,241                                  | 30,000         | 1,004,893              |
| 1,004,893                                | 25,107*                                 | 1,030,000      | -0-                    |

\* Rounded

The same calculation would apply for a bond discount.

The entries for the amortization of the bond premium or discount are as follow:

| Ledger     | Transaction                            | Acct # | Acct Descr.                  | Debit | Credit |
|------------|--|--------|------------------------------|-------|--------|
| FullAccrue | Record revenue<br>bond <b>premium</b>  | 234105 | Unamortized bond<br>premium  | x,xxx |        |
|            |  | 701005 | Amortization expense         |       | x,xxx  |
| Ledger     | Transaction                            | Acct # | Acct Descr.                  | Debit | Credit |
| FullAccrue | Record expense<br>bond <b>discount</b> | 701005 | Amortization expense         | x,xxx |        |
|            |  | 144002 | Unamortized bond<br>discount |       | x,xxx  |

The premium on bonds amount in invested in capital assets, net of related debt would be a valuation account added to the liability account. Conversely, a discount on bonds amount would be a contra-liability. The entry for the first interest payment on January 1, 200Y, would be:

At the end of the fiscal year, an entry needs to be made to reclass the current portion of bond premiums and discounts to general ledger accounts 144001 and 234005.

Entry to reclass current portion of bond discounts:

| Transaction                           | Acct # | Acct Descr.                | Debit | Credit |
|---------------------------------------|--------|----------------------------|-------|--------|
| Record payment in investment in plant | 144001 | Bond Discounts - Current   | x,xxx |        |
|                                       | 144002 | Bond Discounts-Non-Current |       | x,xxx  |

Entry to reclass current portion of bond premiums:

| Transaction                           | Acct # | Acct Descr.                       | Debit | Credit |
|---------------------------------------|--------|-----------------------------------|-------|--------|
| Record payment in investment in plant | 234105 | Unamortized Bond Prem-Non-Curr    | x,xxx |        |
|                                       | 234005 | Unamortized Bond Premium- Current |       | x,xxx  |

**BOND RESERVE REQUIREMENTS:**

Bond covenants generally require reserve requirements for debt service and for renewals and replacements. Monies for these reserves will be transferred from the bond proceeds or other funding sources to the retirement of indebtedness funds or the renewal and replacement funds, as appropriate.

**INSTALLMENT PAYMENTS:**

The principal and interest portions of the bond installments are identified separately on the amortization schedule provided in the final bond documents. After the installments are paid from the retirement of indebtedness fund (701010 and 701005), the interest and principal amounts should be recorded in the investment in plant fund as follows:

| Transaction                           | Acct # | Acct Descr.    | Debit | Credit |
|---------------------------------------|--------|----------------|-------|--------|
| Record payment in investment in plant | 230002 | Bonds Payable  | x,xxx |        |
|                                       | 701010 | Bond Principal |       | x,xxx  |
|                                       | 701005 | Bond Interest  |       | x,xxx  |

*This entry assumes the actual cash payment was recorded in the actuals ledger with a debit to 701005, bond interest payments.*

**BOND REFUNDING:**

While an institution might make several internal entries to record this transaction, the net effect would be, assuming that the initial proceeds were used to acquire capital assets:

## **Invested in Capital Assets, Net of Related Debt**

### *Plant Funds*

|                            |            |            |
|----------------------------|------------|------------|
| Bonds Payable              | 10,000,000 |            |
| Deferred Loss on Refunding | 2,500,000  |            |
| Bonds Payable              |            | 12,500,000 |

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Refundings involve the issuance of new debt whose proceeds are used to repay previously issued debt. According to GASB, a current refunding represents a situation where new debt proceeds are used immediately to retire old debt. An advance refunding occurs when new debt proceeds are placed in an irrevocable trust with an escrow agent and invested where they are used to pay principal and interest on the old debt at a future time. Debt may be advance refunded for a number of reasons. Generally, advance refunding occurs to take advantage of lower interest rates. Other factors, such as extending maturity dates, revising payment schedules, or removing or modifying restrictions, may also lead to advance refunding. It may be necessary in advance refundings to issue new debt in an amount greater than the old debt. In these cases, savings may still result if the total new debt service requirements are less than the old debt service requirements. Most advance refundings will result in the defeasance of debt, either legally or in substance, for public institutions that report as BTAs.

A legal defeasance occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. An in-substance defeasance occurs when, for accounting purposes, the debt is considered defeased even though a legal defeasance has not occurred.

The difference between the reacquisition price and the net carrying amount of the old debt (i.e., gain or loss on refunding) should be deferred and amortized as an adjustment of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. The straight-line or effective interest methods are the ones most commonly encountered. The deferred amount should be reported in the Statement of Net Position as a deduction from or addition to the new debt liability. If the current or advance refunding is a refunding of a prior refunding, then the amount of the deferred gain or loss should be added to the remaining deferred balance from the prior refunding. The reacquisition price includes any call premium on the old debt but excludes any discount, premium, or issuance costs of the new debt.

Reacquisition price is the amount required to repay previously issued debt in a refunding transaction. In a current refunding, this includes principal of the old debt and any call premiums. In an advance refunding, it is the amount placed in escrow that, together with interest earnings, is necessary to pay interest and principal on the old debt and any call premium. Premium or discount and issuance costs pertaining to the new debt are not considered part of the reacquisition price, but instead are separate items related to and amortized over the life of the new debt.

Net carrying amount is the amount due at maturity, adjusted for any unamortized premium or discount.

For example, assume a public institution decides to defease \$10 million of its 10 percent term bonds due in 20 years, but with an earlier call date, with a 1 percent call premium. The institution issues at par \$10 million par value 5 percent debt maturing in 10 years. The deferred gain or loss on this refunding is calculated as:

|                                   |                |                   |
|-----------------------------------|----------------|-------------------|
| Reacquisition price               | \$10,000,000   |                   |
| Call premium                      | <u>100,000</u> |                   |
| Funds needed to acquire old bonds |                | \$10,100,000      |
| Par value of old debt             |                | <u>10,000,000</u> |
| Deferred loss on refunding        |                | <u>\$ 100,000</u> |

The deferred loss would be amortized over the shorter period of the remaining life of the old debt or new debt.

Assume that the institution sold \$12,500,000 of refunding bonds at 5 percent to retire the \$10 million amount of bonds cited in the previous example but the call date was in 10 years. The net proceeds from the new issuance were used to acquire U.S. Treasury securities yielding 5 percent that were deposited with an escrow agent. The principal and interest receipts from the Treasury securities are sufficient to fund interest payments on the debt until the call date and to pay the call premium along with the full maturity value of \$10 million and meet all of the requirements of an in-substance defeasance. The deferred gain or loss on this refunding is calculated as:

|                                  |                     |
|----------------------------------|---------------------|
| Reacquisition price              | \$12,500,000        |
| Net carrying amount of old bonds | <u>9,750,000</u>    |
| Deferred Loss on Refunding       | <u>\$ 2,750,000</u> |

GASB requires all entities to make certain disclosures in the annual financial statements when they defease debt through advance refundings. The NDUS discloses the following, (a) change in total debt service payments (the difference between the cash flows required to service the old debt and the new debt, (b) the economic gain or loss resulting from the transaction (difference of the present values of the debt service payments on the old and the new debt), (c) average interest rate of the old and new debt, and (d) the amount outstanding of the in substance defeased debt, as long as a balance remains outstanding.

New debt issued in an advance refunding should be recorded like any other revenue bond, as identified above. Gains and losses on the close-out of the old debt resulting from advance refundings are to be deferred and recognized over the remaining life of the old debt or the remaining life of the new debt, whichever is shorter in the fund holding the debt. The old debt that is in-substance defeased should be removed from the investment in plant fund as follows:

### **Certificates of Participation**

Certificates of participation (COP) are debt instruments similar to bonds, however an investor purchases a share of the lease revenues of a program rather than the bond being

secured by those revenues. The accounting for COP's is the same as for bonds. However, the following general ledger accounts should be used to record COP's.

- 144003 – Cert of Part Discounts-Curr
- 144004 – Cert of Part Discounts - NC
- 230004 – COP – Curr
- 230104 – COP – NC
- 234006 – COP Unamort Premium – Curr
- 234106 – COP Unamort Premium – NC
- 483011 – Other COP Proceeds
- 671206 – COP Issuance Costs
- 701006 – COP Interest Payments
- 701011 – COP Principal Payments

**Notes Payable**

Notes payable are not as common as bonds payable in the NDUS but notes payable can be recorded for performance contracts issued for energy improvements, and other approved items financed.

Cash received by the institution should be receipted as follows in the unexpended plant fund: *The cash could be deposited into an Investment in Plant fund but NDUS has always accounted for the cash in the same fund that pays the purchases from the bond proceeds.*

| Ledger  | Transaction                      | Acct # | Acct Descr.                | Debit | Credit |
|---------|----------------------------------|--------|----------------------------|-------|--------|
| Actuals | Record proceeds of notes payable | 105251 | Cash                       | x,xxx |        |
|         |                                  | 715015 | Other additions/deductions |       | x,xxx  |

The principal balance payable on the note should be recorded in the investment in plant fund as follows:

| Ledger     | Transaction         | Acct #  | Acct Descr.                | Debit | Credit |
|------------|---------------------|---------|----------------------------|-------|--------|
| Fullaccrue | Record note payable | 715015  | Other additions/deductions | x,xxx |        |
|            |                     | 231102* | Notes payable-noncurr      |       | x,xxx  |

By the end of the fiscal year, the current portion of the long term debt is coded to account 231002 for financial statement purposes. This is the amount of the notes payable that must be paid within a fiscal year. Use account 231003-Notes Payable-Current for current portion of notes payable to component units.

\*Use 231103 for noncurrent portion of notes payable to discretely presented component units.

The principal and interest portions of the note payable installments are identified separately on the amortization schedule provided by the lender. When the installments are paid from the retirement of indebtedness fund (701005 and 715015), the interest and principal amounts should be coded as follows:

| Transaction                           | Acct # | Acct Descr.    | Debit | Credit |
|---------------------------------------|--------|----------------|-------|--------|
| Record payment in investment in plant | 715020 | Note Principal |       | x,xxx  |
|                                       | 701015 | Note Interest  |       | x,xxx  |

### **Leases Payable**

Leases are accounted for in accordance with GASB Statement No. 87 and No. 99. The standard defines a lease as a contract that conveys control of the right to use another entity’s nonfinancial asset for a period of time in an exchange or exchange-like transaction. This includes contracts that meet this definition, even if they don’t contain the word “lease” or is not considered a lease in legal terms. Beginning in Fiscal Year 2023, leases with total lease payments of \$25,000 or greater are subject to GASB 87. Leases with total lease payments of less than \$25,000 are expensed when incurred. Leases incurred prior to Fiscal Year 2023 have a materiality threshold of \$5,000.

The standard defines three types of leases.

- **Short-term leases.** Contracts with a term of 12 months or less, including potential extensions, regardless of the likelihood of being exercised.
- **Long-term leases that transfer ownership.** Contracts with a term of greater than 12 months and do **not** contain a purchase option of any value, including potential extensions, regardless of the likelihood of being exercised and the lease transfers ownership of the underlying asset to the institution.
- **Long-term leases that do not transfer ownership.** Contracts with a term of greater than 12 months and long-term contracts that transfer ownership but contain a purchase option of any value, including potential extensions, regardless of the likelihood of being exercised and the contract does **not** transfer ownership of the underlying asset to the institution.

GASB 87 specifically excludes the following:

- Leases of intangible assets. For example:
  - Right to explore for or exploit natural resources.
  - Licensing contracts for items such as motion picture files, video recordings, plays, manuscripts, patents and copyrights.
  - Licensing contracts for computer software.
- Leases of biological assets.
- Leases of inventory.

- Leases in which the underlying asset is financed with outstanding conduit debt. Conduit debt is on behalf of another entity.
- Supply contracts, such as power purchase agreements.

**Determining the lease term:**

The lease term is the period during which a lessee has a noncancellable right to use an underlying asset plus:

- Periods covered by a lessee’s option to extend the lease if it reasonably certain that the lessee will exercise the option.
- Periods covered by a lessee’s option to terminate the lease if it is reasonably certain that the lessee will *not* exercise the option.
- Periods covered by a lessor’s option to extend the lease if it is reasonably certain the lessor will exercise the option.
- Periods covered by a lessor’s option to terminate the lease if it is reasonably certain, the lessor will *not* exercise that option.

Periods where both the lessee and the lessor have the option to terminate the lease without permission from the other party are excluded from the lease.

An option to terminate provision that gives the lessee or lessor the right to terminate the lease only in certain circumstances, such as the action or inaction of the other party is not an option to terminate the lease for purposes of determining the lease term. For example, provisions that allow for the termination due to a violation of lease terms, such as default, are not considered options to terminate.

If a lessee has the option to purchase the underlying asset during the lease term and the contract does not transfer ownership, the lease term should exclude the period after the date at which the option is reasonably certain to be exercised.

A lease that previously had been determined to be a short-term lease and has now been modified to extend the term should be reassessed from the inception of the lease. If the reassessed maximum possible term is greater than 12 months, the lease should no longer be considered a short-term lease. For a lease that is reclassified from a short-term lease, the term should be assessed beginning at the date of the modification for purposes of measuring the lease receivable or lease liability.

A fiscal funding or cancellation clause allowing the institution lessees to cancel a lease if the funds are not appropriated by the legislature only affects the lease term if it is reasonably certain funds will not be appropriated. **Note:** these occurrences will rarely, if ever, occur.

At the beginning of the lease term, assess factors relevant to likelihood lessee or lessor will exercise options to extend or terminate the lease. Apply professional judgment.

The lease term should be reassessed only if one or more of the following occur:

- Lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain the lessee or lessor would not exercise that option.
- Lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain the lessee or lessor would exercise the option.
- An event specified in the lease contract that requires an extension or termination of the lease takes place.

**Accounting for Leases**

Short-term leases are expensed when payment is made.

Long-term leases that transfer ownership at the end of the contract and do **not** contain a purchase option of any value are recorded as a financed purchase of an asset. The asset is capitalized as a capital asset and a notes payable liability is recorded. See the capital asset section of this manual for entries to capitalize the equipment, building or land that has been leased.

Long-term leases that do not transfer ownership at the end of the contract and long-term contracts that transfer ownership but contain a purchase option of any value are recorded as a right-of-use asset (intangible) and a lease liability, using the Lease Administration and Asset Management modules. The lease liability is calculated as the present value of all payments expected to be made during the lease term.

The Lease Administration training documentation is located in Training Documentation Folder in the NDUS Controllers and Financial Users Teams site

The lease should not be remeasured solely for a change in an index or a rate used to determine variable payments,

Variable payments that depend on an index or a rate or those that are fixed in substance should be included in the measurement of the lease liability. All other variable payments, such as those based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

The following general ledger entry is also needed to properly record the lease liability in the investment in plant fund:

| Ledger     | Transaction                               | Acct #  | Acct Descr.              | Debit | Credit |
|------------|---|---------|--------------------------|-------|--------|
| Fullaccrue | Record capital                            | 681010  | Lease Additions          | x,xxx |        |
|            | <u>lease-assets</u><br><u>capitalized</u> | 232102* | Lease payable NonCurrent |       | x,xxx  |

By the end of the fiscal year, the current portion of the long-term lease is coded to account 232002-Lease Payable-Current for financial statement purposes. This is the amount of the lease that must be paid within the next twelve months. Use account 232003- Lease Payable

to CU-Current for current portion of long-term leases payable to discretely presented component units.

\*Use 232103 – Lease Pay to CU-NonCurrent for noncurrent lease payable to discretely presented component units.

Lease Administration calculates the principal and interest amounts for each payment using the following accounts.

| Transaction      | Acct # | Acct Description              |
|------------------|--------|-------------------------------|
| Principal amount | 581030 | Equipment lease- principal    |
|                  | 581040 | IT Equipment lease- principal |
|                  | 582050 | Building lease- principal     |
|                  | 582055 | Land lease-principal          |
| Interest amount  | 581025 | Equip lease interest          |
|                  | 581035 | IT Equipment lease interest   |
|                  | 582040 | Building lease interest       |
|                  | 582045 | Land lease interest           |

See the revenue bond section of this manual for example of entry in the investment in plant fund for principal payments made.

## Extinguishment of Debt

A public institution reporting as a BTA may consider debt to be extinguished for financial reporting purposes when it:

- Repays or refinances its debt;
- Is legally released from its primary obligation to pay the debt; or
- Completes an advance refunding that constitutes either a legal or an “in-substance” defeasance of the debt.

The accounting and financial reporting requirements for extinguishments of debt are contained in SGAS 23, FASB Statement No. 76, *Extinguishment of Debt* (SFAS 76), and SGAS 7. SGAS 23 addresses deferred recognition of gains and losses. SFAS 76 covers events constituting extinguishments. SGAS 7 establishes the disclosure requirements.

Any gain or loss from refunding is deferred under the BTA model because the gain or loss on refunding is deemed to be a component of the new debt and should be amortized as part of the new debt.

### Extinguishment of Debt by Repayment

Repayment of debt is the most common method of extinguishment. Repayment also includes an institution’s reacquisition of its debt in the open market, regardless of whether the debt securities are canceled or held as treasury bonds. All repayments of debt are considered extinguishments if the institution is relieved of its obligations with respect to the debt. For example, assume that an institution owed \$1,250,000 in debt associated with

plant in service. The institution paid \$1,275,000 from debt service funds to retire that debt, in accordance with prepayment requirements. Entries to illustrate this transaction are as follows:

**Invested in Capital Assets, Net of Related Debt**

*Plant Funds*

|                    |           |           |
|--------------------|-----------|-----------|
| Bonds Payable      | 1,250,000 |           |
| Loss on Retirement | 25,000    |           |
| Cash               |           | 1,275,000 |

The net effect is a reduction of \$25,000 in total net position.

**Extinguishment of Debt by Third-Party Assumption**

The second manner in which extinguishment of debt occurs is when an institution is legally released from being the primary obligor under the debt and when it is probable that the institution will not be required to make future payments with respect to that debt under any guarantees. “Probable” used in this context is defined in FASB Statement No. 5, *Accounting for Contingencies*.

Sometimes a third party assumes an institution’s debt. For example, an institution may sell the net assets of a loan fund that has incurred long-term debt. To remove the debt of that fund from its books, the institution must be legally released from the role of primary obligor under the debt.

Whether legal release from the role of primary obligor is obtained depends on terms of the transaction, terms of the debt agreement, and provisions of state laws. An opinion of legal counsel may be necessary to determine whether the legal release criteria have been met. In addition, when the institution remains secondarily liable, it must be probable that no future payments will be required under the secondary obligation before the debt can be removed from the Statement of Net Position.

**Debt Refundings**

Refundings involve the issuance of new debt whose proceeds are used to repay previously issued debt. A current refunding occurs when new debt proceeds are used to repay old debt immediately. An advance refunding occurs when the new debt proceeds are placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time. Most advance refundings will result in the defeasance of debt, either legally or in substance, for public institutions that report as BTAs. A legal defeasance occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. An in-substance defeasance occurs when, for accounting purposes under the guidance in SFAS 76, the debt is considered defeased even though a legal defeasance has not occurred. When debt is defeased, it is no longer reported as a liability in the Statement of Net Position; only the new debt is reported as a liability.

Debt may be advance refunded for a number of reasons. Generally, advance refunding occurs to take advantage of lower interest rates. Other factors, such as extending maturity dates, revising payment schedules, or removing or modifying restrictions, may also lead to advance refunding. It may be necessary in advance refundings to issue new debt in an amount greater than the old debt. In these cases, savings may still result if the total new debt service requirements are less than the old debt service requirements.

Debt is considered defeased in substance if the debtor irrevocably places cash or other assets in a trust with an escrow agent to be used solely for satisfying scheduled payments of interest and principal of the defeased debt. In addition, the probability of the debtor being required to make future payments on that debt must be considered remote. The trust is restricted to owning only monetary assets that are essentially risk-free as to the amount, timing, and collection of principal and interest. These assets are generally limited to direct U.S. Treasury obligations, obligations guaranteed by the U.S. government, or those securities backed by U.S. government obligations as collateral. These monetary assets held in trust must also provide cash flows that coincide, in timing and amount, with the scheduled interest and principal payments on the defeased debt.

For current refundings and advance refundings resulting in defeasance of debt reported by public institutions reporting as BTAs, the difference between the reacquisition price and the net carrying amount of the old debt (i.e., any gain or loss on refunding) should be deferred. This deferred amount should be amortized as an adjustment of interest expense in a systematic and rational manner over the shorter period of the remaining life of the old debt or the life of the new debt. The straight-line or effective interest methods are the ones most commonly used. The deferred amount should be reported in the Statement of Net Position as a deduction from or addition to the new debt liability. If the current or advance refunding is a refunding of a prior refunding, the amount of the deferred gain or loss should be added to the remaining deferred balance from the prior refunding. The reacquisition price includes any call premium on the old debt but excludes any discount or premium.

For example, assume an institution decides to defease \$10 million of its 10 percent term bonds due in 20 years, but with an earlier call date, with a 1 percent call premium. The institution issues at par \$10 million par value 5 percent debt maturing in 10 years. The deferred gain or loss on this refunding is calculated as:

|                                   |                |                   |
|-----------------------------------|----------------|-------------------|
| Reacquisition price               | \$10,000,000   |                   |
| Call premium                      | <u>100,000</u> |                   |
| Funds needed to acquire old bonds |                | \$10,100,000      |
| Par value of old debt             |                | <u>10,000,000</u> |
| Deferred loss on refunding        |                | <u>\$ 100,000</u> |

The deferred loss is amortized over the shorter period of the remaining life of the old debt or new debt.

Assume that the institution sold \$12,500,000 of refunding bonds at 5 percent to retire the \$10 million amount of bonds cited in the previous example but the call date was in 10 years. The net proceeds from the new issuance were used to acquire U.S. Treasury securities yielding 5 percent that were deposited with an escrow agent. The principal and interest receipts from the Treasury securities are sufficient to fund interest payments on the debt until the call date and to pay the call premium along with the full maturity value of \$10 million and meet all of the requirements of an in-substance defeasance. The deferred gain or loss on this refunding is calculated as:

|                                  |                     |
|----------------------------------|---------------------|
| Reacquisition price              | \$12,500,000        |
| Net carrying amount of old bonds | <u>10,000,000</u>   |
| Deferred Loss on Refunding       | <u>\$ 2,500,000</u> |

While an institution might make several internal entries to record this transaction, the net effect would be, assuming that the initial proceeds were used to acquire capital assets:

**Invested in Capital Assets, Net of Related Debt**

*Plant Funds*

|                            |            |            |
|----------------------------|------------|------------|
| Bonds Payable              | 10,000,000 |            |
| Deferred Loss on Refunding | 2,500,000  |            |
| Bonds Payable              |            | 12,500,000 |

**Special Assessments Payable**

This account is used to record the institution’s liability for special assessments to the county treasurer for land and infrastructure improvements. Special assessments on city/county owned property are expensed in the year assessed. Special assessments on campus-owned that meet the capitalization requirements are capitalized and depreciated over the useful life of the improvements. Special assessments on campus-owned property that do not meet the capitalization requirements are expensed as repairs. The payable for the capitalized special assessments is recorded in the Investment in Plant funds. The fund for the city/county owned property and the campus non-capitalized payable may vary depending on what fund is used to record the expense.

| Ledger     | Transaction   | Acct # | Acct Descr.                     | Debit | Credit |
|------------|---|--------|---------------------------------|-------|--------|
| FullAccrue | Record special assessments on <u>city/county owned</u> property                 | 682110 | Special Assessments (expense)   | x,xxx |        |
|            |   | 205001 | Spec assessment payable         |       | x,xxx  |
| Ledger     | Transaction   | Acct # | Acct Descr.                     | Debit | Credit |
| FullAccrue | Record special assessments on <b>capitalizable</b> <u>campus-owned</u> property | 681020 | Infrastruct/land impr additions | x,xxx |        |
|            |   | 205001 | Spec assessment payable         |       | x,xxx  |
|            |   |        |                                 |       |        |

|            |  |        |                         |       |       |
|------------|--|--------|-------------------------|-------|-------|
| FullAccrue | Record special assessments on <b>non-capitalizable campus-owned property</b> | 591055 | Repairs                 | x,xxx |       |
|            |  | 205001 | Spec assessment payable |       | x,xxx |

*By the end of the fiscal year, the current portion of the long term debt is coded to account 205001 for financial statement purposes. This is the amount of the special assessments payable that must be paid within a fiscal year.*

The principal and interest portions of the special assessment installments are identified separately on the amortization schedule provided by the city or county. The accounts payable voucher needs to be coded appropriately for each installment payment, as follows:

| Transaction      | Acct # | Acct Descr.         |
|------------------|--------|---------------------|
| Principal amount | 683055 | Spec assess princ   |
| Interest amount  | 683060 | Spec asses interest |

*See the revenue bond section of this manual for example of entry in the investment in plant fund for principal payments made.*

### **Compensated Absences**

In accordance with Section 6 and 7 of the NDUS Human Resources Policy Manual, “Benefited staff employees terminating employment must be paid for earned unused annual leave subject to all approved payroll matched reductions/deductions. Unused annual leave shall include any leave carried over from the previous year and all accrued leave up to the date of termination.” In addition, “An employee with at least ten continuous years of state employment who leaves the employ of the state, is entitled to a lump-sum payment equal to one-tenth of the pay attributed to the employee's unused sick leave accrued under Section 7 and in accordance with N.D.C.C. Section 54-0614.

NDUS applies GASB Standard 101 to record compensated absences liability. The accrual is made during the annual year-end close process. NDUS uses the “LIFO Approach” for sick leave and the “Days Used” approach for all other leave applicable under GASB 101. Additional information and resources to perform the calculations are available in the Controllers Group Teams Site and the Controller Collaboration Teams site.

After the GASB 101 calculation is completed, the following entry is made prior to finalizing the year-end close:

| Ledger                 | Transaction                              | Acct # | Acct Descr.        | Debit | Credit |
|------------------------|--|--------|--------------------|-------|--------|
| Actuals or Full Accrue | Accrue vacation and sick leave liability | 511060 | Vac & Sick accrual | x,xxx |        |
|                        |  | 233002 | Comp Absences      |       | x,xxx  |

The reverse of the above entry is made if the calculated accrual were less than the accrual balance booked at the end of the previous fiscal year.

*By the end of the fiscal year, the current portion of compensated absences is coded to account 233002, this is the amount of the liability estimated to be paid within a year. The NDUS use a percentage of the total liability, the percentage is provided by NDUS to campuses annually*

## **RECONCILIATION OF NET POSITION, INVESTMENT IN PLANT RECONCILIATION OF FUND BALANCE:**

Net Position is total assets less total liabilities. Net position must be displayed in three broad components, invested in capital of related debt, restricted, and unrestricted. The net position balance for debt related to acquisition, construction, or improvement of capital assets is recorded in 310001, Investment in Capital Assets. The net position balance for discounts and premiums is recorded in invested in capital assets. The exceptions are compensated absences which are recorded in an unrestricted fund.

Also, bond proceeds are deposited in an unexpended plant fund. Bond debt is recorded in the investment in plant fund. If significant bond proceeds are not spent, the portion of the net position fund balance in the investment in plant fund should be transferred to the unexpended plant fund.

*The calculation is as follows:*

Capital Assets

Add bond issue costs and prepaid expenses in funds 00001-00019

Less depreciation

Less long term debt

Less unamortized bond premium

Less interest payable

Add debt portion of any unspent bond proceeds (since that debt doesn't have a related capital asset yet, the unspent portion needs to be added back in).

## **Section: Deferred Inflow of Resources**

A deferred inflow of resources is defined as an acquisition of net position by an institution that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities. GASB statement 63/65 requires these items to be reported in a separate section of the Statement of Net Position (formerly the Statement of Net Assets). Examples of deferred inflows are:

- Grant amounts received in advance of meeting timing requirements. This does **not** include those amounts received in advance of eligibility requirements.
- Deferred amounts from refunding debt (credit amounts).
- Proceeds from sale of future revenues.
- Deferred gain from a sale-leaseback transaction.
- Positive fair value of a government hedge of a future transaction – applies to derivatives.

- Advance of revenue from imposed non-exchange transactions.
- Actuarially determined portion of pension expense.

## Section: Net Position

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Source: NACUBO FARM Manual, section 350.

Net position is the residual interest in the assets that remain after deducting liabilities. GASB requires that public institutions display net position in three components: invested in capital assets, net of related debt; restricted; and unrestricted. Net position is accounted for in accounts 310001 – 330001.

### INVESTED IN CAPITAL ASSETS

This category consists of capital assets less the outstanding balance of debt incurred for the purchase of or the construction or improvement of those assets. The balance at the end of each fiscal year should be the net book value after depreciation of land, buildings, equipment, improvements, library books and construction in process, **less** the outstanding debt on such assets. Debt can be in the form of bonds payable, leases, notes payable and special assessments. However, if significant unspent related debt proceeds exist at the end of the fiscal year, the portion of the debt attributable to the unspent proceeds should **not** be included in the calculation of invested in capital assets. Rather, that portion of the debt should be included in the same net position component as the unspent proceeds - for example, restricted, expendable or restricted for capital projects. The formula to determine whether unspent proceeds should be reclassified at year-end is located in the *Long-Term Liabilities* chapter of this manual under the *Reconciliation of Fund Balance* section.

### RESTRICTED

Restricted net position is the portion of net position subject to externally-imposed constraints placed on their use by external creditors (such as through debt covenants), grantors, contributors, or laws and regulations. When restricted expendable net position is present, restricted net position should differentiate between restricted expendable and restricted nonexpendable net position. Restricted nonexpendable net position are those required to be retained in perpetuity (SFAS 34, para. 34 and 35).

#### a. Restricted Expendable

The corpus of the asset can be spent, but is restricted to certain uses.

Subcategories of expendable net position include:

- Scholarships and fellowships: Net position restricted by donors to providing scholarships and/or fellowships to students.
- Research: Net position is restricted by grantor agencies for research programs according to the terms of the grant.
- Institutional: Net position restricted by grantor agencies for institutional use.
- Loans: Net position restricted by federal and state policies/law for use in student loan programs.

- Capital projects: Net position restricted by bonding covenants for use in construction and renovation projects and for cash appropriated for capital projects to the institutions through the North Dakota Strategic Investment and Improvement Fund (SIIF) .
- Debt service: Net position restricted by bonding covenants for debt retirement reserves.
- Other: Miscellaneous other restrictions that don't fit in the above categories.

## **b. Restricted Nonexpendable Net Position**

When a donor makes a contribution and indicates that the contribution is to be maintained permanently and never expended, the net position arising from such a contribution should be classified as restricted nonexpendable net position. The most common type of such a contribution would be a contribution of cash or securities to establish an endowment. For example, an individual creates an endowed professorship for the chemistry department by contributing \$500,000 and specifying that the principal be permanently invested and the earnings be used for a salary supplement. Other examples of restricted nonexpendable net position include collection items that may not be sold, cash given with the stipulation that such permanently restricted collection items be acquired with the cash, and securities given to an institution with the stipulation that they never be sold. Revolving loan funds may be established with nongovernmental contributed resources. If the principal of such funds is to be permanently maintained, either in outstanding loans or as investments, such amounts should be classified as restricted nonexpendable net position.

## **UNRESTRICTED NET POSITION**

Unrestricted net position consists of net position that do not meet the definition of restricted or invested in capital assets, net of related debt. They are available at the discretion of the institution. These funds encompass a wide array of functions core to the operations of the institutions and do not necessarily mean that the funds are unobligated. In contrast to restricted net position, the types of constraints on resources are internal and governing bodies and management can remove or modify them.

The balances are often available at a point in time only due to uneven operating cycles. Near term use of the funds is to support general operations of the units that generated the funds. For example cash balances as of June 30th are used during the fall semester and throughout the remainder of the academic year as campuses staff up for the school year, and to purchase inventory and to support food service, bookstore and other self-supporting operations. Long-term use of the funds is for repair and replacement of related capital assets.

Unrestricted net position includes balances generated from auxiliary services, tuition and fees, interest income, state appropriations and other institutional services. Although these funds are not “restricted”, the Board or the campus may designate them for specific uses.

Examples of designations include:  
 Emergency reserves  
 Major repairs/additions  
 Working capital  
 Self-supporting programs (reinvestment)  
 Student groups

**NET POSITION CLOSING RULES**

Other than a few year-end closing reclassifications, the net position accounts are only used to record the automatic closing of revenues and expenses at fiscal year-end. The net asset closing rules were set up in PeopleSoft for each institution during the initial conversion. The following chart indicates the net position account to which the fiscal years revenue and expenses are closed for each fund group. **Contact the NDUS Director of Financial Reporting before making any manual entries directly to net position accounts. No manual entries can be made to net position accounts in Per 1 of any year.**

The table below contains general guidelines. There may be certain circumstances that warrant exceptions to the information below. These exceptions should be kept to a minimum and should be supported by maintaining proper and auditable supporting documentation.

| Fund Ranges                      | Fund Group  | Net Asset Account   |
|----------------------------------|---|---|
| 00001 - 00100                    | Investment in Plant   | 310001-Invest in Cap Assets   |
| 00101-00499                      | Renew & replace   | 330001-Unrestricted   |
| 00500-00999                      | Retire of Indebt/Renew & replace  | 320051-Expendable Debt Service - may require manual reclass at year end based upon year end calculation     |
| 01000-39999                      | Auxiliaries/Local/Appropriation   | 330001-Unrestricted   |
| 40000-49999, functions 31-33     | Grants & Contracts-research   | 320101-Expendable Research  |
| 40000-49999, all other functions | Grants & Contracts - non-research   | 320076-Exp Instructional Dept Uses  |
| 50000-59999                      | Scholarships & fellowships  | 320176 Exp Scholarships & Fellowships   |
| 60000-69999                      | Loans   | 320126-Expendable Loans   |
| 70001-70199                      | Endowments  | 321001-NonExp Scholar & Endowments  |
| 70200-70499                      | Quasi-endowments  | 330001-Unrestricted OR Expendable Restricted account code if purpose is restriction (320026 through 320176) |
| 70500-71999                      | Endowments  | 321001-NonExp Scholar & Endowments  |
| 72000-78999                      | Quasi-endowments  | 330001-Unrestricted OR Expendable Restricted account code if purpose is restriction (320026-320176)         |
| 79000-79999                      | Other restricted  | 320076-Exp Instructional Dept Uses  |
| 80000-89999                      | Agency  | 24027-Amounts Held for Others   |
| year-end JVs                     | See year end entries spreadsheet at <a href="http://www.ndus.edu/employees/accounting-manual-forms/">http://www.ndus.edu/employees/accounting-manual-forms/</a> |   |

The year-end journal vouchers that are needed to reclassify net position at year-end are included in the Fiscal Year End Entries spreadsheet in the Controller Collaboration Teams site.

## Section: Public-Private and Public-Public Partnerships (P3) and Availability Payment Arrangements (APA)

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### Background:

Arrangements between higher-ed institutions and private entities or other governments have become more common. GASB 94 established the accounting criteria for these arrangements. These arrangements, often referred to as public-private or public-public partnerships (**P3**), result in the institution transferring the obligation to provide certain public services to an external entity. One type of P3 is a service concession arrangement (**SCA**). GASB 94 also provides guidance for accounting and financial reporting for availability payment arrangements (**APAs**) in which the government compensates the other party based on availability of an asset rather than performance.

GASB 94 supersedes GASB 60 – *Accounting and Financial Reporting for Service Concession Arrangements (SCA)* but it also encompasses other arrangements besides SCAs.

If you think you may have a P3, SCA or APA after reading this section and GASB 94, contact the NDUS Director of Financial Reporting for accounting guidance.

### Definitions:

- **P3:** Arrangement where an institution (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or capital assets, for a period of time, in an exchange or exchange-like transaction. In other words, the institution transfers the obligation to provide certain public services to an external entity. An operator may be a governmental or non-governmental entity.

For PPPs that meet the definition of a lease, apply GASB 87-lease accounting **IF:**

- Existing assets of the transferor are the only underlying P3 assets,
  - Improvements are not required to be made by the operator to the existing assets as part of the P3 arrangement, and
  - The P3 does not meet the definition of an SCA.
- **SCA:** An SCA is a P3 when the following criteria is met:
    - The institution conveys to the operator the right and related obligation to provide public services through the use and operation of an underlying P3 asset in exchange for significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility,
    - The operator collects and is compensated by fees from third parties,
    - The institution determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is

required to provide the services, and the prices or rates that can be charged for the services, and

- The institution is entitled to significant residual interest in the service utility of the underlying P3 asset at the end of the arrangement.
- **APA:** Arrangement in which the institution procures a capital asset or service by compensating an operator for activities that may include designing, constructing, financing, maintaining, and operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. In contrast to a P3, the other party to an APA is receiving compensation from the institution based entirely on the asset's availability and not the actual performance of a public service. In other words, instead of being compensated by fees paid by third parties, the institution pays the operator based solely on the asset's availability for use.

APAs are similar to P3s except the institution retains the demand risk and responsibility for fee collection associated with the use of the asset. Instead of the operator being compensated from third parties, the institution is compensating the other entity for either providing an asset to the institution or performing services on behalf of the institution. Payments are based entirely on the asset's availability for use rather than on tolls, fees, or similar revenues.

## **Examples:**

### **P3 Example**

An institution enters into an arrangement with a developer (operator) for a term of 50 years. The developer will finance the demolition of an existing structure and construction of a new facility on the institution's property. The new structure includes housing and dining facilities on the institution's property which the developer will operate, including setting rates. The developer will be compensated by the customers that utilize the facilities. This arrangement meets the criteria of a P3. It does not meet the criteria of an SCA since the developer has control over the rates that may be charged.

### **SCA Example**

An institution agrees to allow a operator to operate their toll-collecting function on the institution's roadways. The operator provides an up-front payment of \$10 million to the institution in return for the right to operate the toll collection and to receive and retain toll revenues for a period of 50 years. This arrangement is a P3 that also meets the criteria for an SCA.

If the operator provides an up-front payment of \$10 million to the institution in return for the right to operate the tolls and to set, collect and retain toll revenues, it would not be an SCA but it would be a P3.

### **APA Example**

An institution enters into an arrangement with a private corporation to design, build and finance the construction of a bridge. The corporation will collect all tolls for the bridge for

40 years and remit the collections to the institution. In exchange, the institution will remit to the corporation \$20 million at the start of the project, \$20 million on the date the bridge is placed into service, and \$5 million annually for the length of the agreement, as compensation for designing, building and financing the bridge. The institution will also remit to the corporation \$200,000 per month for the length of the agreement, for the collection of the tolls.

**Common Types of Arrangements under GASB 94 that could be a potential P3, SCA or APA. (Other examples may exist):**

- Student services, such as dining and housing, for colleges and universities
- Hospitals
- Sports facilities
- Recreational facilities
- Parking structures
- Airport terminals
- Public transits
- Museums
- Toll roads
- Bridges

**Public service** is not defined in GASB 94 so NDUS uses the NACUBO definition of public service, which is:

- Activities established primarily to provide non-instructional services beneficial to individuals and groups external to the institution. Examples may include conferences, institutes, general advisory services, reference bureaus, community services, cooperative extension services, public broadcasting services, and similar services provided to particular sectors of the community. These examples are not all-inclusive and there may be other relevant examples.

**Accounting for P3s (including SCAs):**

**Institution:**

|               | <b>Existing asset of transferor</b>   | <b>New asset in an SCA</b>  | <b>New asset but not an SCA</b>   |
|---------------|---|---|---|
| <b>Assets</b> | <ul style="list-style-type: none"> <li>▪ Continue to report existing asset.</li> <li>▪ Receivable for installment payments.</li> <li>▪ Improvements made to the asset by operator are placed in service.</li> </ul> | <ul style="list-style-type: none"> <li>▪ New asset when placed in service.</li> <li>▪ Receivable for installment payments.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Receivable for the new asset purchased or constructed to be received from the operator.</li> <li>▪ Receivable for installment payments.</li> </ul> |

|                         |  |   |  |
|-------------------------|--|---|--|
| <b>Deferred inflows</b> | <ul style="list-style-type: none"> <li>▪ Related to the receivable for consideration received or to be received. Recognize as revenue in a systematic and rational manner over the term of the agreement.</li> <li>▪ Improvements made by operator are placed in service.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Related to the receivable for installment payments.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Receivable for the new asset purchased or constructed to be received from the operator.</li> <li>▪ Related to the receivable for installment payments.</li> </ul> |
|-------------------------|--|---|--|

**Operator:**

|                          | <b>Existing asset of the transferor</b> | <b>New asset in an SCA</b>     | <b>New asset but not an SCA</b>   |
|--------------------------|---|--------------------------------|---|
| <b>Assets</b>            | Intangible right-of-use asset.          | Intangible right-of-use asset. | New asset until ownership reverts to transferor.  |
| <b>Liabilities</b>       | For installment payments.               | For installment payments.      | <ul style="list-style-type: none"> <li>▪ For the new asset.</li> <li>▪ For installment payments.</li> </ul> |
| <b>Deferred outflows</b> | Not applicable.                         | Not applicable.                | For the new asset   |

In subsequent periods, the operator reports expenses related to the amortization of 1) the discount on the liability for installment payments, 2) the right-to-use asset, and 3) the deferred outflow of resources.

**Accounting for APAs:**

The accounting depends on what the operator is required to do. Activities related to designing, constructing, or financing a capital asset are accounted for as a financed purchase of an asset by the institution. Other activities are accounted for as an expense.

## **Section: Revenues**

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Revenues are the inflows of assets (such as cash) resulting from the sale of products or the rendering of services to customers. Revenues are recognized in the unrestricted funds as earned; revenues are recognized in the restricted funds as expenditures take place. When restricted resources are received prior to expenditure, the resources (assets) are recorded as unearned revenues. When an institution performs the services required by the restriction, revenues are recognized. A list of revenue accounts codes is included in Appendix A.

### **TUITION AND FEES**

This category includes all tuition and fees assessed against students for educational purposes. Tuition and fees are accounted for in account 460001. Tuition and fees are recorded as revenue even if the intent is to waive the tuition and fees. The amounts of waivers should be recorded as expenditures (account 661015) unless it is for employee and spouse/dependents waivers. In that case, it should be employee benefits (account 516020). Based on the various rate and term structures, the PeopleSoft system will calculate tuition and fees in the student finance module and create journal entries that interface with the general ledger to record the revenue and receivable.

Tuition and fees charged for terms that fall entirely within one fiscal year would be recognized as revenue in that fiscal year. However, a special situation arises when revenues and student fees are assessed during an academic term that encompasses more than one fiscal year, as is the case of summer sessions. Both revenues and expenditures of these split sessions in the academic year should be reported in the fiscal year in which the revenue is predominately earned. Refer to the Liabilities Section: Unearned revenues for further information regarding year-end journal entry.

For financial statement purposes, tuition and fees and other revenues received from students are reported net of scholarship discounts and allowances. Scholarship discounts and allowances represent financial aid and waivers applied to student accounts that have already been recognized as revenue less the portion of refunds that are potentially refundable to students. Under this approach, a portion of scholarship, waivers, and grants are considered as reductions in tuition and fee revenue rather than as a scholarship expense. Therefore, student tuition and fees and auxiliary revenues are presented net of scholarship discounts and allowances. Certain other scholarship amounts paid or refunded directly to the student are generally reflected as expenses. Instructions for calculating and recording the scholarship allowance are included in the year-end Scholarship Allowance template.

### **GRANTS AND CONTRACTS**

The grants and contracts category includes all amounts received or made available by grants, contracts, and cooperative agreements from state, federal and private entities that are considered to be exchange transactions.

GASB Statement No. 33 defines non-exchange transactions as those where “a government (including the federal government, as a provider) either gives value (benefit) to another

party without directly receiving equal value in exchange or receives value (benefit) from another party without directly giving equal value in exchange.” Grants and contracts that are considered to be non-exchange transaction would be classified separately as non-operating revenues.

Determining whether a specific grant or contract falls within this definition requires professional judgment and understanding of the nature of the work performed by the institution, the contracting or grant-making procedures of the sponsor, and the terms of the agreements.

The majority of NDUS grants and contracts are considered exchange transactions and are reported in operating revenues. This includes Federal Work Study revenue.

Examples of NDUS non-exchange transactions reporting as non-operating revenue are PELL, TEACH, SEOG student awards, and capital grant and contracts (capitalized assets).

NDUS classifies all construction grant and contracts as non-operating income. If 100% of a grant and contract is purchasing capitalized assets, it is reported as non-operating income. A grant and contract meeting the criteria as an exchange transaction with a portion of the budget for capitalized assets would be recorded entirely as operating income.

Grants and contracts should be classified to identify the source (federal, state or private) of the entity making the award to the institution and as capital versus operating for financial statement purposes. Additionally, tracking grants and contracts with separate restricted projects is necessary to meet granting agency reporting requirements and to accurately measure revenues and expenses related to the grant. Amounts incurred under grants and contracts are recorded using the following accounts:

Operating Grants (exchange transaction)

| Grantor  | Acct #        | Acct Description                |
|--|---------------|---------------------------------|
| Federal agency   | <b>450010</b> | Federal grants & contracts      |
| Federal agency stimulus funding – exchange transaction | <b>450025</b> | Federal Grant/Contract Stimulus |
| Federal -- received via a non-federal entity           | <b>450015</b> | Federal PassThruGrants-State    |
| Federal -- received via a non-federal entity           | <b>450016</b> | FederalPass Thru GrantsNonState |
| State agency   | <b>451010</b> | State grants & contracts        |
| Private entity   | <b>452010</b> | Private grants & contracts      |

Capital Grants (non-exchange transaction)

| Grantor                           | Acct #        | Acct Description                 |
|-----------------------------------|---------------|----------------------------------|
| Federal agency                    | <b>450005</b> | Federal capital G&C              |
| Federal agency – stimulus funding | <b>450005</b> | Federal capital G&C              |
| Federal agency pass thru          | <b>450005</b> | Federal capital G&C              |
| State agency                      | <b>451005</b> | State capital grants & contracts |
| Private entity                    | <b>452005</b> | Private capital G&C              |

Non-Operating Grants (non-exchange transaction)

| Grantor  | Acct #        | Acct Description.           |
|--|---------------|-----------------------------|
| Federal agency   | <b>450020</b> | Federal G&C non operating   |
| Federal agency pass thru                                   | <b>450020</b> | Federal G&C non operating   |
| Federal agency stimulus funding – non-exchange transaction | <b>450020</b> | Federal G&C non operating   |
| State or Private entity                                    | <b>480090</b> | Other non operating revenue |

State appropriation pass-through from NDUS (excluding student grant programs\*)

| Award                                | Acct #                                   | Acct Description |
|--------------------------------------|--|------------------|
| Title II                             | 450010                                   | Federal G&C      |
| EPSCoR                               | 451010                                   | State G&C        |
| Centers of Excellence - exchange     | 451010                                   | State G&C        |
| Centers of Excellence – non-exchange | 451005                                   | State Cap G&C    |
| Other                                | Contact NDUS Dir. of Financial Reporting |                  |

\*For student grant programs, see Transfer and Other Additions/Deductions section.

Amounts received from grantors for indirect cost recoveries are recorded in the accounts noted above in the grant fund when the funds are drawn from the grantor. These funds are then moved from the grant fund to a local fund with the following entry:

| Ledger  | Transaction   | Acct #  | Acct Description.                          | Debit | Credit |
|---------|---|---|--|-------|--------|
| Actuals | Entry to charge the G&C fund for the amount of your indirect charge | 730015 and-730020, some schools may need to use 730005-730016 | F&A and Admin Allowance                    | x,xxx |        |
|         |   | 105251  | Cash                                       |       | x,xxx  |
| Actuals | Receive indirect cost recovery from grant funds                     | 105251  | Cash                                       | x,xxx |        |
|         |   | 484005-484010   | Admin Allowance and Indirect Costs (F&A)   |       | x,xxx  |
| Consol  | Reverse revenue and expense so not double recorded                  | 484005-484010   | Admin Allowance and Indirect Revenue (F&A) | x,xxx |        |
|         |   | 733015 - 733020   | Admin Allowance and Indirect Expense (F&A) |       | x,xxx  |

The admin allowance expense and indirect cost revenue are eliminated at year-end with a closing entry in the CONSOL ledger to eliminate the doubling of the revenue and expenses.

Grant and contract funds may be associated with other types of funds for match. The finance system does not associate those funds electronically. The match funds are accounted for in the type of fund related to the activity within that fund. For example, registration fees collected are accounted for in a local fund. Appropriated funds used for a match are still accounted for in an appropriated fund.

At year-end all G&C need to be reviewed for proper year end balances in the general ledger. Examples of items to be reviewed are:

- Normally revenue equals expenses at year end
- Cost reimbursable grants & contracts will normally have a negative cash and positive grants receivable at year end
- Advance pay or fixed price grant and contracts (scheduled pays in PS) normally have unearned revenue or grants receivable at year end depending upon the timing of expenses to revenue
- Fixed price may have revenue greater or less than expenses at end of project
- F & A is backdated for expenses backdated in the general ledger

At this time, this is a manual process but every year more queries are developed to assist with this effort.

Accounts normally used for grants and contract revenue may be used for a fund that is not a grant and contract fund. For example, a check is received from the federal government not meeting the requirement to be a grant and contract (no deliverable), the account codes 45xxxx may be used in the non-G&C fund (ex. HUD subsidy for resident hall debt).

### **Fixed Price Awards**

Campuses may have awards that are classified as scheduled pays, task complete and percent complete in PeopleSoft. These award types are also known as fixed price awards. These awards pay based upon something other than cost, it can be a time schedule, completing a task, or the percentage a project is complete. Fixed Price agreements are intended to be break even (not revenue generating); therefore, the budgets should be developed carefully to ensure that it is an accurate estimation of expenditures for meeting the project goals and objectives. The awarding agency allows the campus to keep any funds not used for the project and spend at the discretion of the campus.

The expectation is we will collect all these funds regardless of amount spent. Because of this assumption, campuses recognize the revenue on these awards (fixed price) when it is earned, not when spent. If the entire amount is not spent, the revenue is still 100% recognized.

FARM 361.6 states; once revenue is recognized as restricted, the revenue is not derecognized unless the original entry was an error. In this case, the revenue was not recognized in error, it was recognized when earned. Therefore, when moving the unspent money out of a restricted fund to an unrestricted fund, a following transfer account codes should be used rather than a revenue account code:

- 490002 – Interfund Transfers In

- 490004 – Intrafund Transfers In
- 490009 – Mandatory Transfers In
- 722005 – Intertransfer Out
- 722010 – Intratransfer Out
- 722015 – Mandatory Transfer

Sample journal entry:

| Fund                    | Project    | Account Number                                | Account Name                                  | Debit   | Credit  |
|-------------------------|------------|---|---|---------|---------|
| <b>Transfer Out:</b>    |            |   |   |         |         |
| 4xxxx                   | xxxxxxxxxx | use one of the transfer accounts listed above | use one of the transfer accounts listed above | \$x,xxx |         |
| unrestricted local fund | xxxxxxxxxx | 105251  | Cash  |         | \$x,xxx |
| <b>Transfer In:</b>     |            |   |   |         |         |
| unrestricted local fund | xxxxxxxxxx | 105251  | Cash  | \$x,xxx |         |
| 4xxxx                   | xxxxxxxxxx | use one of the transfer accounts listed above | use one of the transfer accounts listed above |         | \$x,xxx |

### Program Income

Program income is revenue earned as a direct result of activities funded under a grant or contract or earned as a result of an award during the life of the award. This applies to federal, state and private grants and contracts.

Each institution is responsible for properly using, accounting for, and reporting program income, in accordance with the terms and conditions of the sponsored agreement and applicable laws and regulations.

Program income includes, but is not limited to:

- Conference fees when the award funds the conference;
- Membership fees charged to individuals and organizations for grant related activities;
- Sale of commodities or items fabricated under an sponsored program (books, videos, childcare, tutoring, etc);
- Rental or usage fees charged for use of supplies or equipment purchased with grant funds;
- Revenue from license fees, royalties, copyrights and patents developed as a result of grant funded activities;
- Sales of real property (for non-federal awards).

Program income is governed by one of the following methods, depending on sponsor requirements. Review the award document to determine which of the methods applies.

Regardless of the method used, program income may be used only for allowable costs in accordance with the terms and conditions of the award.

- a. Additive Method – program income funds are added to the amount of the award.
  - Automatically used for federal research projects unless the agency indicates differently in the award document.
  - Used to further eligible project or program objectives under the term of the award.
  - Expenditures must be expended during the period of performance stated in the award.
  - If the award document does not specify the method to be used, the Additive Method is the default.
  
- b. Matching Method – program income funds are used to finance part or all of the matching costs of the project or program.
  - May only be used with agency approval.
  - Program income is used to finance part or all of the matching costs of the project or program.
  - Expenditures must be expended during the period of performance stated in the award.
  
- c. Deductive Method – program income funds are deducted from the amount of funding provided by the sponsor to complete the terms of the award.
  - Automatically used for non-research federal projects, if the agency does not specify otherwise in their regulations.
  - Program income is applied toward the allowable project cost during the award period, thereby reducing the sponsor share and matching share.
  - Expenditures must be expended during the period of performance stated in the award.

If the additive or matching methods are used and all program income cannot be spent during the award period, the excess program income must be used in accordance with the deductive method.

For federal programs, proceeds from the sale of real property, equipment, or supplies are not program income. These proceeds are accounted for in accordance with the requirements of 2 CFR Subpart D – Post Federal Award Requirements of this part, Property Standards §§200.311 Real property, 200.313 Equipment, and 200.314 Supplies, or as specifically identified in federal statutes, regulations, or the terms and conditions of the federal award.

Unless the federal statute, regulations, or terms and conditions for the federal award provide otherwise, agreement provides otherwise, institutions have no obligation to the Federal awarding agency with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions made under a federal award to which 37 CFR part 401, “Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Awards, Contracts and Cooperative Agreements” is applicable.

Under nonfederal programs, sponsoring agency guidelines must be reviewed to determine if there are restrictions on the treatment of program income. If there are no restrictions, program income may be used according to institution policy.

Program income is accounted for in the restricted grant fund range. An unrestricted local fund is used if the income will continue after the award ends and the income is no longer tied to the grant.

**Appropriations**

This category includes monies made available to an institution by legislative acts or local authority. This category does not include governmental grants and contracts. Appropriations should be classified to identify the governmental level (federal, state or local) of the legislative body making the appropriation to the institution. Revenue from state or federal appropriations for general operating purposes versus for capital expenditure purposes should be identified at the account level. Appropriations are accounted for in the following accounts:

**Operating Appropriations (non-operating on the SRECNP )**

| Governmental Level | Acct # | Acct Descr.                 |
|--------------------|--------|-----------------------------|
| Federal            | 461050 | Federal appropriations      |
| Local              | 461150 | Local Appropriations        |
| State              | 461250 | State Appropriations        |
| Tax Levies         | 480020 | Tax Revenue – non operating |

**Capital Appropriations**

| Governmental Level | Acct # | Acct Descr.                    |
|--------------------|--------|--------------------------------|
| Federal            | 461100 | Federal capital appropriations |
| State              | 461300 | State capital appropriations   |

Cash for state operating appropriations is transferred based on a schedule that is set up by the institution at the beginning of the biennium. The semi-monthly draws are scheduled to coincide with tuition collections and expenditure patterns of each institution. The system office collects the drawdown schedules and forwards them to OMB and the State Treasurer for their planning purposes. The schedule can be modified on a quarterly basis if necessary.

Once the schedule is set, each institution initiates a draw on the working day immediately preceding the 6<sup>th</sup> work day and on the working day immediately preceding the 25<sup>th</sup> of each month by entering an A/P voucher using the state business unit identifier (e.g. UND is 230000) instead of the higher ed business unit (e.g. UND01). An ACH will be generated to the institutions bank account within a couple of days. All operating appropriations are drawn down by biennium end, whether spent or not.

The institution draws down capital appropriation via an A/P voucher, similar to the like operating appropriation draws, as needed. Unspent capital appropriations can be carried forward to the new biennium if approved by the legislature.

## **CHARGES FOR SERVICES/SALES**

This category includes revenues that are related incidentally to the conduct of instruction, research, and public service and revenues of activities that exist to provide instructional and laboratory experience for students and that incidentally create goods and services that may be sold to students, faculty, staff, and the general public. Examples of revenues of educational activities are advertising in campus publications, fees for conferences organized by the institution and box office sales for campus theatrical and musical events. Revenues generated by hospitals (including health clinics that are a part thereof) should be classified as sales and services of hospitals.

Charges for sales and services of educational activities are accounted for in accounts 462004 – 462935. Auxiliary services are not to use these accounts because these accounts roll-up into the sales and services line in the revenue section of the annual financial statements.

If sales and services to students, faculty, or staff, rather than training or instruction, is the purpose of an activity, the revenue should be classified as sales and services of auxiliary enterprises or hospitals, as appropriate.

Institutions should not take the revenues received from sales and services of educational departments and offset them against departmental expenses. This would have the effect of netting activity.

## **AUXILIARY SERVICES**

An auxiliary enterprise is an entity that exists predominantly to furnish goods or services to students, faculty, or staff, and that charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The general public may be served incidentally by some auxiliary enterprises.

Auxiliary enterprises are essentially self-supporting operations and may include residence halls, food services, intercollegiate athletics, college unions, college stores, and other self-supporting services. Even though they may serve students and faculty, hospitals are classified separately because of their size and relative financial importance.

This category is limited to revenues derived directly from the operation of auxiliary enterprises. For financial statement purposes, Auxiliary services are accounted for in accounts 470001 – 470799. Departments that are not auxiliary enterprises are not to use these accounts because they roll up into the auxiliary enterprises line in the revenue section of the annual financial statements. Revenues from gifts, grants, or endowment income designated for auxiliary enterprises should be reported under the accounts designated for these specific categories. Before the end of the fiscal year, there is an automated allocation process to be run to re-categorize revenue transactions within auxiliary services when auxiliary revenue account codes were not utilized and to re-categorize revenue transactions within non-auxiliary services when auxiliary revenue account codes were utilized. The Peoplesoft navigation is: Allocations > Define and Perform Allocations > Request Allocation > Add a new Value. This process will need to be run for each month.

**CONTRIBUTIONS AND DONATIONS**

This category includes amounts received from nongovernmental organizations and individuals.

Monetary gifts received by the institution should be recorded as follows:

| Ledger  | Transaction                                     | Acct # | Acct Descr.   | Debit | Credit |
|---------|---|--------|---|-------|--------|
| Actuals | Monetary gift received                          | 105251 | Cash  | x,xxx |        |
|         |   | 478005 | Gifts   |       | x,xxx  |
|         | Gifts received from Related Foundations         | 105251 | Cash  | x,xxx |        |
|         |   | 478007 | Gifts from Related Foundations  |       | x,xxx  |
|         | Capital Gifts received from Related Foundations | 105251 | Cash  | x,xxx |        |
|         |   | xxxxxx | Other Assets (use if gift included assets instead of or in addition to cash). | x,xxx |        |
|         |   | 478015 | Capital Gifts from Related Foundations  |       | x,xxx  |

Gifts of equipment with a fair value at time of gift that is greater than \$5,000 should be entered into the asset management system. The asset management system will debit the asset and credit 681040 in FullAccrue. The following general ledger entry in the FullAccrue ledger is needed to record the gift:

| Ledger     | Transaction                      | Acct # | Acct Descr.                   | Debit | Credit |
|------------|----------------------------------|--------|-------------------------------|-------|--------|
| FullAccrue | Received gift of assets >\$5,000 | 681040 | Machinery/Equipment Additions | x,xxx |        |
|            |                                  | 478010 | Capital Gifts                 |       | x,xxx  |

Gifts of capitalized intangible assets should be entered into the asset management system. The asset management system will debit the asset and credit 681040 in FullAccrue. The following general ledger entry in the FullAccrue ledger is needed to record the gift:

| Ledger     | Transaction                                    | Acct # | Acct Descr.                            | Debit | Credit |
|------------|--|--------|--|-------|--------|
| FullAccrue | Received gift of capitalized intangible assets | 681025 | Intangible Asset Additions             | x,xxx |        |
|            |  | 478010 | Capital Gifts                          |       | x,xxx  |
|            |  | 478015 | Capital Gifts from Related Foundations |       | x,xxx  |

Gifts or bequests of capital assets, other than equipment, library books or intangibles, should be recorded at fair market value at date of acquisition as follows: (use accounts from 151002-151177)

| Ledger     | Transaction                   | Acct # | Acct Descr.                            | Debit | Credit |
|------------|-------------------------------|--------|--|-------|--------|
| FullAccrue | Record gift of capital assets | 151002 | Land                                   | x,xxx |        |
|            |                               | 151052 | Buildings & Leaseholds                 | x,xxx |        |
|            |                               | 151027 | Infrastructure/Land Improvements       | x,xxx |        |
|            |                               | 151077 | Building Improvements                  | x,xxx |        |
|            |                               | 151152 | Construction in Progress               | x,xxx |        |
|            |                               | 478010 | Capital Gifts                          |       | x,xxx  |
|            |                               | 478015 | Capital Gifts from Related Foundations |       | x,xxx  |

**INVESTMENT INCOME**

Interest received or earned and added to the par value of the investment are recorded in the following accounts:

| Transaction                                       | Acct # | Acct Descr.              |
|---|--------|--------------------------|
| Investment interest earned on institutional funds | 442035 | Interest Income-Non Oper |
| Investment interest earned on endowment funds     | 442015 | Endow Income-Non Oper    |

Management fees associated with investment management services are recorded in account 4420005-Investment Income Mgmt Fee.

Journal entries to record gains/losses on sales of investments and to mark investments to market value are included under Investments in the Asset Section.

**OTHER MISCELLANEOUS REVENUES**

This category includes miscellaneous receipts of funds that do not fit in any other category, such as the receipt of insurance settlements, gas tax deposits, med school tax deposits and other non-operating revenue. Receipts that are re-classified as other non-operating revenue are identified in the year-end fiscal entries spreadsheet. Other miscellaneous revenue is accounted for in accounts 480005 – 480090.

**INTERDEPARTMENTAL REVENUE**

This category is used to record receipts from other campus departments for transactions such as supplies sold by the bookstore and meals/beverages provided by food service, among others.

Entries to eliminate interdepartmental revenues and expenses at fiscal year-end are included in the fiscal year-end entries spreadsheet in the Controller Collaboration Teams site.

**SYSTEM OFFICE TRANSFERS**

See Transfers and Other Additions/Deductions Section.

## Section: Expenses

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Expenses are the outflows of assets (such as cash) resulting from the purchase of products and services. Expenses are recorded through payroll, accounts payable, interdepartmental billings, and journal entries. A listing of expense account codes is located in Appendix A.

### LEASE EXPENSE

To determine if a lease is long-term or short-term, see Leases under the Long-Term Liabilities Section. Payments for short-term leases and rentals should be accounted for in the following accounts:

Short-term lease agreements:

| Acct # | Acct Descr.                    |
|--------|--------------------------------|
| 581005 | Aircraft Rental short term     |
| 581015 | Equipment rental short term    |
| 581045 | IT equipment rental short term |
| 582030 | Building rental short term     |
| 582035 | Land rental – short term       |

Short-term rentals:

| Acct # | Acct Descr.                    |
|--------|--------------------------------|
| 581020 | Equipment rental               |
| 581055 | OfficeEquip Rental-Short Term  |
| 581060 | Other Rental - Short Term      |
| 582005 | Booth & room rental-Short Term |

### INTEREST EXPENSE

Interest expense on short-term operating lines, past due accounts and other borrowings not related to capital assets should be accounted for in account 641005.

Interest expense on capital asset related debt should be accounted for in the following accounts:

| Acct # | Acct Descr.                   |
|--------|-------------------------------|
| 581025 | Equipment lease interest      |
| 581035 | IT Equipment lease interest   |
| 582040 | Building lease interest       |
| 582045 | Land lease interest           |
| 683060 | Special assessment interest   |
| 701005 | Bond interest pymts           |
| 701015 | Notes payable- interest pymts |

### MINOR EQUIPMENT

Individual equipment purchases costing less than \$5,000 should be expensed when paid, using the following accounts.

| Transaction               | Acct #            | Acct Descr.   |
|---------------------------|-------------------|---------------|
| IT Equip under \$5,000    | Minor equip-IT    | 551005-551035 |
| Other equip under \$5,000 | Minor equip-other | 552005-552095 |

NDCC section 44-04-07 requires institutions to maintain “a complete and current inventory record of all property of sufficient value and permanence as to render such inventory record practical”.

OMB policy 205 requires institutions to account for inventory of sufficient value and permanence, independent of the \$5,000 capitalization threshold for financial statement reporting.

For equipment purchased on or after July 1, 2019, each institution will make a one-time determination of the dollar level and type of non-capitalizable equipment to be tracked, based on an internal analysis performed by the appropriate institution personnel, taking into consideration equipment that is particularly at risk or vulnerable to loss.

The analysis and conclusion must be documented, approved by the institution’s Vice-President of Finance or their designee and retained in accordance with NDUS record retention policies.

Institutions will perform an annual physical inventory of the non-capitalizable equipment determined to be tracked as a result of the internal analysis. The inventory must be certified by the appropriate institution personnel and retained in accordance with NDUS record retention policies.

At their discretion, institutions can use the Asset Management module in PeopleSoft to account for non-capitalized equipment for insurance purposes.

**INTERDEPARTMENTAL EXPENSES**

This category is used to pay for purchases made from other campus departments such as supplies purchased from the bookstore and meals/beverages purchased from food service, among others. Entries to eliminate interdepartmental revenues and expenses at fiscal year-end are included in the fiscal year-end entries spreadsheet in the Controller Collaboration Teams site.

**FUNCTIONAL CLASSIFICATION**

For information on classification of expenses by functional category, see Chapter: Fund Functions.

**Section: Transfers**

**TRANSFERS**

Transfers differ from expenditures. Expenditures are the recognition of the expending of resources toward the objectives of the respective fund. Transfers are amounts moved between funds to be used for the objectives of the recipient fund. There are two types of

transfers, mandatory and non-mandatory. Mandatory and non-mandatory transfers in and out of funds are netted in the financial records in the financial reporting process and therefore are not shown on the face of the financial statements.

**Mandatory Transfers**

Mandatory transfers are made as a result of binding legal agreements, including:

- Debt reserve requirements,
- Debt retirement (principal and interest),
- Required provisions for renewals and replacements of plant,
- Grant match requirements (ex. Perkins FCC), and
- Donor match requirements.

As an example, transferring funds for a debt reserve requirement mandated by the bond covenant is as follows:

| Ledger  | Fund Group                 | Acct # | Acct Descr.         | Debit | Credit |
|---------|----------------------------|--------|---------------------|-------|--------|
| Actuals | Unrestricted               | 722015 | Mandatory Trsfr-Out | x,xxx |        |
|         |                            | 105251 | Cash                |       | x,xxx  |
| Actuals | Retirement of Indebt. Fund | 105251 | Cash                | x,xxx |        |
|         |                            | 490009 | Mandatory Trsfr-In  |       | x,xxx  |

**Non-mandatory Transfers**

Non-mandatory transfers are made at the discretion of management, and include:

- additions to loan funds,
- additions to quasi-endowment funds,
- general or specific plant additions,
- voluntary renewals and replacements of plant, and
- transfers to cover operating expenses or fund deficits.

**Intrafund Transfers:**

Intrafund transfers are transfers between funds within the same fund group. An example would be a transfer of bookstore funds to the student center to help cover operating expenses, which would be recorded as follows:

| Ledger  | Fund           | Acct # | Acct Descr.           | Debit | Credit |
|---------|----------------|--------|-----------------------|-------|--------|
| Actuals | Bookstore      | 722010 | Intratransfer – out   | x,xxx |        |
|         |                | 105251 | Cash                  |       | x,xxx  |
| Actuals | Student Center | 105251 | Cash                  | x,xxx |        |
|         |                | 490004 | Intrafund Transfer-in |       | x,xxx  |

**Interfund Transfers:**

Interfund transfers are transfers between funds in different fund groups. An example would be a transfer of auxiliary funds to plant improvement funds for the construction of an addition to the student center, which would be recorded as follows:

| Ledger  | Fund Group        | Acct # | Acct Descr.           | Debit | Credit |
|---------|-------------------|--------|-----------------------|-------|--------|
| Actuals | Local             | 722005 | Intertransfer – out   | x,xxx |        |
|         |                   | 105251 | Cash                  |       | x,xxx  |
| Actuals | Plant Improvement | 105251 | Cash                  | x,xxx |        |
|         |                   | 490002 | Interfund Transfer-in |       | x,xxx  |

**Inter-Institution Transfers:**

Account 722024 is to be used for **one-time unusual** transactions between Institutions and/or the NDUS System Office. It is **not** to be used for day-to-day transactions that occur in the normal course of business. Examples of when this account would be used are transfers of positions, fe’s and/or programs. Use of this account for **any** transaction requires the prior approval of the NDUS Director of Financial Reporting.

**Transfers to or from Custodial Funds:**

Because a campus is only acting as fiscal agent with respect to an custodial fund, revenue and expenses of custodial funds do not appear in the institution’s financial statements and are reported separately in the Statement of Fiduciary Net Position and Statement of Fiduciary Revenues, Expenses and Changes in Net Position. Therefore, transfer accounts can never be used when a transaction occurs between the institution’s funds and a custodial fund, otherwise transfers in and out will not net to zero and the financial statements will not balance. Revenue and expense account codes must be used with any activity between the institution’s funds and custodial funds.

**System Office Transfers**

The ND University System office periodically sends state appropriation funds to the institutions for student grant programs, such as SSIG, ND Indian Scholars, ND Scholars and Education Incentive Program. Since the system office determines which students receive funding, it is considered a pass-through program; therefore, the institution should not be recording revenue and expense. By recording the receipt from the system office and the subsequent payment to the student in the same account, the transaction is netted to zero.

The institution records the receipts and subsequent payments to students in local funds, using either 224002 (Deposits) or 661005 (scholarship expense).

**Cost Transfers**

A cost transfer is a cost that is originally paid by one department/fund, which is then moved to another department and/or fund. Documentation supporting cost transfers should be included with the journal voucher, or journal entry form. At a minimum, the documentation should include the reference number of the original charge of the cost transfer. The form should always be signed by the authorized individual affirming that the appropriate supporting documentation has been reviewed and is maintained and accessible at the department level or central accounting office.

## **Chapter: Service Centers**

Service centers are departments or functional units which perform specific technical or administrative services primarily for the benefit of other units within a reporting unit. Service centers include ‘recharge’ centers and ‘specialized service facilities’ addressed in OMB Uniform Guidance (2 CFR 200.468). They also may include institutional service centers that are not defined in OMB guidance.

Institutional Service Centers – typically a specialized, recurring institutional or departmental service provided to a large portion of the institution for a fee. Examples include telecommunications, facilities, IT support. Goal is to be self-supporting by generating income from multiple funding sources, including departments outside the parent department. They operate on a break-even basis. The goal is exactly to recover the costs of the goods or services provided.

Recharge Centers/Core Facilities – typically an operating unit within an academic department that provides more specific services, instruments, technology, etc. to support research and other sponsored activities for a fee. Examples include testing equipment utilized for research, small animal research facilities, analytical research labs. Recharge centers may also sell to external customers on an incidental basis. Recharge centers may not be expected to be self-supporting and may be subsidized by their parent department.

Specialized Service Facilities – type of recharge centers that are highly complex, specialized facilities with significant support costs and revenue that exceeds \$1 million per year. Examples include high performance computing, large animal research facilities, wind tunnels.

Auxiliary enterprises and pass-through clearing accounts are not considered service centers.

### **Criteria**

In evaluating whether a business unit should be a service center, the institution should review identified criteria using established institutional procedures. Examples of criteria include but not limited to:

- Centrality to institutional mission
- Specialized, recurring services with value added to providing product internally
- Dollar volume/unit volume of transactions
- Defined unit of measurement possible
- Strong demand for the product or service being offered
- Clearly defined financial plan (identify start-up costs as well as ongoing operating costs and method of recovery)
- Charge rates that will fully recover costs. If not, is there an understanding with the department, college, or institution that ongoing financial support will be required?

### **Review and Approval**

Each institution is responsible for defining and administering specific campus procedures for service center review, rate development and approval, which must be documented. Example A is an example rate proposal form.

Institutions shall review all service center activity and deficit/surplus balances at least annually. A full review and calculation of rates should also be done annually; however, institutions may adopt an alternative review process that does not require an annual full review/calculation of all funds provided the process is based on a documented method that establishes materiality thresholds. The goal is to identify those service center funds that contain the majority of revenue/expenses; these rates should be reviewed and calculated annually. The remaining funds should be reviewed and calculated at least bi-annually.

### **Cost Recovery**

The actual direct costs of providing the service are recoverable. Costs may include salaries & wages, fringe benefits, materials, supplies, repairs, maintenance, service contracts, and depreciation recovery (see below).

Major equipment purchases are not allowable in the service center. However, an annual depreciation charge for non-federally purchased equipment is allowable. This depreciation must be removed from the institutions F&A rate calculation. Non-federal billing rates can include a cost for an equipment replacement reserve.

Unallowable costs for federal grants and contracts (Refer to §200 Sub-part E for federal cost principles) and indirect costs that are included in an Institution's F&A cost proposal may not be included in the service center rate calculation.

If a recharge center will be fully-costed, as is the case with Specialized Service Facilities, F&A costs can be allocated and included in the rate development. However, F&A costs must be charged directly to the service center with a corresponding credit to the institution's cost recovery pool.

### **Rate Development**

Determine the appropriate unit of measure to be used for the billing rate. Examples include:

- Per-unit (I.E. billed for each sample prepared)
- Time based (I.E. billed hourly or daily)
- Flat Fee (I.E. billed per use)
- Combination (I.E. flat fee + fee per unit)
- Subscription/Membership based

The total allowable annual costs divided by the unit of measure equals the rate per unit.

Surplus and deficits created in a given year must be factored into the following period's rate calculation. Service centers may establish and maintain a reasonable level of working capital reserve, in addition to the full recovery of costs. A working capital reserve as part of the fund balance of up to 60 calendar days cash expenses for normal operating purposes is considered reasonable.

Example B is an example rate calculation format.

The same rate must be charged to all users of the service, based on actual usage. The service center may not charge a higher rate to a federally sponsored project than it does to institutional

departments. However, external entities may be charged a higher rate using a mark-up. A mark-up rate option would be the institutions F&A rate, however other options are allowed. Revenue from the mark-up portion may be transferred to another fund and used by the institution for other purposes or retained in the fund to reduce the overall rate.

Surplus/deficits generated in a service fund must be used as carry forward adjustments and may not be used to fund activities outside the service center.

A specific billing rate should be established for any service which has costs unique to that service, such as specialized equipment or dedicated staff. Separate rates must also be calculated if the user population is different for each service. Identifying costs for each service ensures that one service is not subsidizing a service with higher costs.

### **Major Equipment**

Surplus balances in the service center operating account may not be used to purchase equipment. However, department or university funds may purchase equipment for use in service centers. An amount equal to the annual depreciation of this equipment may be recovered from the service center and set aside in a separate fund for future equipment purchases for the service center.

Assets included in the recoverable depreciation calculation must be directly assigned to the recharge center and used in the delivery of the good/service for which the rate is being charged.

Depreciation on equipment purchased from federal grants/contracts cannot be recovered from a service center as this would be considered double-dipping.

Equipment used in service centers can have different useful life than similar assets at the institution. Service centers must be able defend a shorter life.

At least annually, the depreciation for each recharge center will be calculated and documented. Each institution will establish procedures identifying accounting treatment for depreciation and the process for funding subsequent equipment purchases.

### **Subsidies**

In some cases, the institution may choose to subsidize the center. Service centers may choose to provide subsidized rates to internal customers, including

- An individual such as a new Principal Investigator (PI)
- A specific customer group
- Entire customer base
- A particular service or product line
- All subsidies should be documented in the rate development

Why are subsidies necessary:

- Calculated rates too high to be competitive
- Rates cannot support expensive equipment depreciation costs
- Supporting new or junior faculty members

- Providing benefit to faculty members in home department
- Lower than anticipated demand

If individual customers are receiving a subsidy, that amount should not be included in the rate calculation. Each invoice should document subsidy and that amount should be transferred into the revenue account.

If entire service center is receiving a subsidy, that amount can be included in rate calculation to reduce the rate. Subsidy can be transferred into the service center operating account at end of fiscal year.

Subsidies cannot be included in the institutions F&A cost proposal.

### **Billing**

All charges must be supported by a document/invoice, which details the nature and components of the charge. The support for charges should fully substantiate the cost in the event of an audit.

The invoice should specifically document:

- Purpose of the charge (e.g., photocopying)
- How many units were consumed (.g., pounds, hours, number of items)
- Rate charged per unit (e.g., \$.05/photocopy)

Sales tax, when applicable, must be charged to all external users who do not provide a tax-exempt certificate.

Internal users

- This includes both sponsored and non-sponsored funding sources
- Institution may provide a subsidized rate for pre-determined groups of internal users

External users

- Non-University personnel, which can include visiting faculty members
- Private Industry
- Faculty, staff, and students conducting personal research

Monthly billings are recommended in order to avoid late billings on expired grant funds.

### **Accounting**

Recharge center operating and depreciation recovery funds are classified as current unrestricted funds. They are assigned the function related to the activity of the recharge center. For example, a recharge center to charge out aircraft supplies is recorded in the instruction function because the supplies support an instructional program. A RCHG attribute identifies funds designated as recharge centers, allowing for easy extraction from the general ledger.

Revenue from internal customers should be tracked using Interdepartmental Revenue account codes and external customers should be tracked using Charges for Services/Sales account codes.

Depreciation charged by the depreciation recovery fund to the service center should be accomplished with Transfer account codes.

Transfers are only permitted for items related to the core activity of the service center funds, including: (1) mandatory transfers for servicing related debt; (2) routine operating expenditures associated with the funds; and (3) depreciation recovery charges.

### **Record Retention**

Service centers charging federal awards are subject to the record retention policies under §200.333.

*Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report.*

The applicability of the retention policy is not based on the date of the transaction with the service center, but the life of the Federal award. Records to include:

- Billing rate calculations
- Signed copies of required billing rate approvals
- Invoices which show the units of service provided to each user and the billing rate charged

### **UBIT Implications**

If an institution provides service center services to an external entity, they may generate UBIT, which is derived when the institution regularly carries on a trade or business activity unrelated to its mission or tax-exempt purposes. See UBIT section of this manual.

### **Specialized Service Facilities**

SSF's have unique challenges and criteria. Further guidance can be found at:

- Animal Research Facilities: Refer to NIH – National Center for Research Resources. Cost Analysis and Rate Setting Manual for Animal Research Facilities  
[http://grants.nih.gov/grants/policy/air/rate\\_setting\\_manual\\_2000.pdf](http://grants.nih.gov/grants/policy/air/rate_setting_manual_2000.pdf)
- High Performance Computing Center: Seek guidance of a consultant with specialized knowledge.

**EXAMPLE A**  
**New Service Center Rate Proposal and Questionnaire**

Please complete a separate questionnaire and proposal for each Service Center activity.

Name of Recharge Center: \_\_\_\_\_

Recharge Center Fund and Department Number: \_\_\_\_\_  
(For new Centers, a New Fund Request must be submitted for an operating account and a depreciation reserve account, if needed.)

Fiscal Officer of Service Center: \_\_\_\_\_

Fiscal Year for which rate is requested: \_\_\_\_\_

Estimated recoverable costs for the period: \_\_\_\_\_

Estimated revenue for the period: \_\_\_\_\_

Estimated dollar amount charged to grants and contracts: \_\_\_\_\_

Rate(s) proposed:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Certifications:

I have reviewed this questionnaire and proposal. I believe it fairly represents the activities of the Service Center. I request authorization to create a new service center and implement these rates as proposed.

Service Center Fiscal Officer \_\_\_\_\_ Date \_\_\_\_\_

Service Center Director \_\_\_\_\_ Date \_\_\_\_\_

Department Head \_\_\_\_\_ Date \_\_\_\_\_

Approval of User Rates Proposed:

\_\_\_\_\_  
(Appropriate approving office determined by the institution)

Date \_\_\_\_\_

## New Service Center Questionnaire

1. Provide a brief description of the Service Center activity, including why it is needed.

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2. What university funds will be charged? \_\_\_\_\_

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3. Provide a brief description of the methodology used to establish the billing rate, markup, or price.

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4. What unit of measure is used as a billing rate base? (hour, day, procedure, mileage, gallon, etc.)

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5. Approximately how many units (hour, day, procedure, mileage, gallon, etc.) will be billed during the fiscal year?

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6. Are all users charged for this service? Yes \_\_\_\_\_ No \_\_\_\_\_

If no, how do you determine who is charged? \_\_\_\_\_

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7. Are charges made to any external customers? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, who are the external customers and what is the estimated amount of annual activity?

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8. Are all users charged the same rate? Yes \_\_\_\_\_ No \_\_\_\_\_

If no, how do you determine which rate is used? \_\_\_\_\_

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9. In the current year, are any costs related to this activity charged to another account?  
Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, what other account pays a portion of the costs?

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10. Are any costs related to this activity subsidized in some manner? Yes \_\_\_\_\_ No \_\_\_\_\_  
a. If yes, please describe the subsidy.

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b. Approximate amount of subsidy for the fiscal year. \$ \_\_\_\_\_

11. Attach a pro forma income statement, revenue calculation and rate proposal, labor cost projection, and equipment depreciation schedule, if applicable.

**EXAMPLE B**  
**Service Center Rate Calculation**

| Recharge Center Name                                |        |                         |                          |                         |
|---|--------|-------------------------|--------------------------|-------------------------|
| Fund Number   |        |                         |                          |                         |
|   |        | Previous Year<br>Actual | Current Year<br>Estimate | Next Year<br>Projection |
| <b>Revenue:</b>                                     |        |                         |                          |                         |
| Internal Sources                                    | 479015 | 88,000                  | 83,600                   | 84,654                  |
| External Sources                                    | 462110 | 27,500                  | 26,125                   | 27,605                  |
| Total Revenue                                       |        | 115,500                 | 109,725                  | 112,258                 |
| <b>Expenses:</b>                                    |        |                         |                          |                         |
| SALARY - STAFF                                      | 511000 | 50,000                  | 55,000                   | 60,000                  |
| SALARIES - OTHER                                    | 512000 |                         |                          |                         |
| TEMP SALARIES - NONBENEFITTED                       | 513000 |                         |                          |                         |
| SALARIES - OVERTIME                                 | 514000 |                         |                          |                         |
| FACULTY   | 515000 |                         |                          |                         |
| FRINGE BENEFITS                                     | 516000 | 22,500                  | 24,000                   | 26,000                  |
| TRAVEL  | 521000 | 1,000                   | 1,000                    | 1,000                   |
| SUPPLIES - IT SOFTWARE                              | 531000 |                         |                          |                         |
| SUPPLY/MATERIAL-PROFESSIONAL                        | 532000 |                         |                          |                         |
| FOOD & CLOTHING                                     | 533000 |                         |                          |                         |
| BLDGS, GROUNDS, VEHICLE SUPPLY                      | 534000 |                         |                          |                         |
| MISCELLANEOUS SUPPLIES                              | 535000 |                         |                          |                         |
| OFFICE SUPPLIES                                     | 536000 |                         |                          |                         |
| POSTAGE   | 541000 |                         |                          |                         |
| PRINTING  | 542000 |                         |                          |                         |
| IT EQUIPMENT UNDER \$5,000                          | 551000 | 5,000                   | 5,000                    | 5,000                   |
| OTHER EQUIPMENT < \$5,000                           | 552000 |                         |                          |                         |
| UTILITIES   | 561000 |                         |                          |                         |
| RENTS/LEASES  | 581000 |                         |                          |                         |
| REPAIRS   | 591000 | 2,588                   | 2,825                    | 3,050                   |
| IT-COMMUNICATIONS                                   | 602000 |                         |                          |                         |
| PROFESSIONAL DEVELOPMENT                            | 611000 | 25,000                  | 28,000                   | 30,000                  |
| OPERATING FEES & SERVICES                           | 621000 |                         |                          |                         |
| PROFESSIONAL FEES & SERVICES                        | 623000 |                         |                          |                         |
| Total Direct Costs                                  |        | 106,088                 | 115,825                  | 125,050                 |
| Adjustments:  |        |                         |                          |                         |
| Depreciation allowance (from depreciation schedule) |        | 5,000                   | 5,000                    | 5,000                   |
| Net Recoverable costs                               |        | 111,088                 | 120,825                  | 130,050                 |
| Excess (shortfall) revenue over expenses            |        | 4,413                   | (11,100)                 | (17,792)                |
| <b>Rate Proposal:</b>                               |        |                         |                          |                         |
| Net Recoverable costs                               |        |                         |                          | 130,050                 |
| (Excess) Deficit Beginning Fund Balance             |        |                         |                          | (23,313)                |
| Net Cost for rate calculation                       |        | -                       | -                        | 106,738                 |
| Internal Billable Units                             |        | 2,000                   | 2,200                    | 2,300                   |
| External Billable Units                             |        | 500                     | 550                      | 600                     |
| Total Billable units                                |        | 2,500                   | 2,750                    | 2,900                   |
| Base Rate   |        | 44                      | 38                       | 37                      |
| External Rate                                       |        | 55                      | 48                       | 46                      |
| Beginning Fund Balance                              |        | 30,000                  | 34,413                   | 23,313                  |
| Excess (shortfall) revenue over expenses            |        | 4,413                   | (11,100)                 | (17,792)                |
| Ending Fund Balance                                 |        | 34,413                  | 23,313                   | 5,521                   |

## **Chapter: COVID-19 Related Transactions**

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides budgetary relief to higher education institutions through numerous provisions. Congress set aside approximately \$14.25 billion of the \$30.75 billion allotted to the Education Stabilization Fund through the CARES Act for the Higher Education Emergency Relief Fund (HEERF). HEERF contains \$13.95 billion for grants to colleges and universities, to be distributed following a formula based on FTE of Pell recipients (75%) and FTE of non-Pell recipients (25%). The calculation excludes students who were completing their education exclusively online prior to the coronavirus outbreak. Each institution receives one grant comprised of two parts.

- Student aid (Part A): no less than 50% of total award must be used for direct emergency student aid.
- Institutional aid (Part B): up to 50% of total award is to be used by institutions to cover costs related to the significant changes to the delivery of instruction delivery due to COVID-19. Must have clear nexus to instruction delivery changes due to COVID-19.
  - Institutions can use funds to reimburse themselves for foregone revenue.
  - Foregone revenue results from refunds made to students for housing, food, or other services that could no longer be provided.
  - Cannot use funds for endowments, athletic or religious facilities or recruitment activities.
  - Cannot use funds for senior administrators or executive salaries, benefits, incentives.
  - Institutions must retain their current employees to the “maximum extent practicable.”

### **Accounting for CARES ACT Aid**

- CARES Act revenue (Part A and Part B) are non-exchange transactions. Non-exchange transactions are considered non-operating transactions.
- CARES Act aid payments to students are operating expenses.
- Parts A and B are also subject to Uniform Guidance (UG) Reporting Requirements, 2 CFR Section 200.237, Financial Reporting.
- Parts A and B are recorded in a grant fund (40000-49999). The project type is FEDST.
- **Recording Revenue:**
  - NDUS institutions will record Part A and Part B monies, when received, to revenue account *450025-Federal Grant/Contract Stiumulu*. (Yes, the “s” is missing in the last word because of character limits in PS.)
  - Institutions cannot recognize an amount of Part B revenue that is greater than Part A revenue.

- The amount of Part A revenue that exceeds Part B revenue is unearned revenue.
  - Unearned revenue will also occur if:
    - Part A: Institutions received the monies but have not fully disbursed aid payments to students. The amount remaining to be disbursed at June 30, 2020 will be reclassified to gl account 225002.
    - Part B: Institutions received the monies but have not incurred the COVID-19 related expense as of June 30, 2020. This portion will be reclassified to gl account 225002.
    - Institutions will need to make a journal entry at year-end to reclass any unearned revenue to account **225002-Unearned Revenues**.
  - Part B reimbursements for foregone revenue is reflected on the SRECNP as increased grant revenue and a lower amount of the foregone revenue source. For example, auxiliary revenues when compared to the prior year.
  - For Part B, campuses should assign the function that most closely aligns with the uses of these funds. For example, if Part B will be used to reimburse auxiliaries for Covid-19 related lost revenue and additional expenses, the auxiliary function should be assigned to the fund.
- **Recording Student Aid Expenses:**
  - Part A student aid payments are recorded to **661200-HEERF Aid to Students**.
    - Item type range 909999900000 to 909999999999 should be used in the Student Finance module for these payments.
  - The scholarship and fellowship function should be used for these payments.
  - The payments are not included in the calculation of the scholarship allowance or tuition discounts.

#### **Residential Refunds to Students**

- Refunds are a reduction of revenue previously recognized. They are not an expense. Note: NACUBO's tutorial advises the refund payments should be a reduction of deferred revenue. However, NDUS' practice is to record payments received from students directly to revenue rather than unearned revenue. At year-end, a journal entry is made to reclass unearned revenue to gl account **225005-Unearned Revenue**. Therefore, refunds are a direct reduction of revenue.
- Refunds do not qualify as student aid under the CARES Act, part A.
- Foregone revenue is an allowable use of funds under the CARES Act, part B.

#### **Foregone Revenue that is not reimbursed by Part B monies**

- Does not run through SRECNP but will be included in the COVID-19 footnote disclosures in the NDUS Annual Financial Report.

*Source: NACUBO COVID-19 Accounting Tutorials.*

<https://www.nacubo.org/Topics/Accounting/COVID-19-Accounting-Tutorials>

## **Fiscal Year End Accounting Close Process GENERAL INSTRUCTIONS**

---

The NDUS fiscal year ends on June 30<sup>th</sup>. Each year, the System Office and the State Auditors' Office (SAO) will send by email a list of items with due dates needed for the close process, preparation of the financial statements and the annual audits. It is important that all items be submitted by the due dates. **Note: The lists below is not all-inclusive of year-end close actions. There may be additional required actions specific to your campus.** Likewise, the NDUS System Office may require additional items relative to the year-end close. Any such items will be included in the year-end close communications sent to the campus controllers prior to and during the close process.

The SAO will conduct the audit entrance conference in the May or June Controllers Group meeting.

**Note: No entries can be made to a prior year after the institution has finalized their close and notified the NDUS system office and the State Auditors Office. The NDUS Director of Financial Reporting will notify the Controllers when the audit is completed and audit adjustments can be posted. No other entries can be made to a prior year, at any time, without permission from the NDUS Director of Financial Reporting.**

### **Before Year-End**

- Verify all prior year audit adjustments have been recorded in the general ledger.
- Run a preliminary SNP and SRECNP:
  - Verify that beginning net position in SRECNP agree to the prior years' final audited ending net position.
  - Verify that current year ending net position in SRECNP agree to current year net position in SNP.
  - Verify that all funds have an attribute assigned by running  
NDU\_GL72\_FUND\_MISSING\_ATTRIBS
- Complete the inventory of equipment with an original cost in excess of \$5,000 in compliance with NDCC 44-04-07.
- Notify departments of year-end cut-off dates.
- Drawdown funds for expenditures incurred as of June 30th.

- Prepare and send out billings to other campuses for grant expenditures and other amounts due, if applicable.
- Ensure billings to foundations have been completed.
- Run Accounts Receivable Aging & GL Recon Reports in the Student Finance module of PeopleSoft. The reports are NDU\_0126\_SF and NDU\_0136\_SF. THESE REPORTS MUST BE RUN AT THE END OF BUSINESS ON JUNE 30TH. THEY WILL NOT BE ACCURATE IF THEY ARE RUN ON ANOTHER DATE.
- Determine if your campus has derivative instruments during the year by reviewing GASB Statement Number 53. If derivative instruments exist, contact the NDUS Director of Financial Reporting.
- If land or other real estate was held as an investment by endowments in the current year, review GASB Statement Number 52 and contact the NDUS Director of Financial Reporting.
- Review assets that may meet the criteria for an investment, as defined by GASB 72 – Fair Value. Contact the NDUS Director of Financial Reporting if you have assets that may need to be reclassified as an investment. Examples of assets to review: mineral leases, land or real estate held for generation of income or profit rather than for the institution’s operations.
- Determine if your campus has irrevocable split agreements (GASB Statement Number 81). If such agreements exist, contact the NDUS Director of Financial Reporting.
- Review GASB 94 and the section in this manual to determine if your campus has entered into agreements in the current year that meet the criteria in GASB 94 for P3, SCA and ARA arrangements. Contact the NDUS Director of Financial Reporting if you think you may any that meet the criteria.
- Centers of Excellence funds cannot have an unearned revenue balance at June 30<sup>th</sup>.
- Fund balances in scholarship funds that are not restricted must be reclassified to unrestricted fund balance.
- Fiduciary funds reclassified to non-8xxxx funds: Populate the BTA chartfield in PeopleSoft for fiduciary funds that are reclassified to non-8xxxx funds at year-end.

## Year-End Entries

- Complete all necessary journal entries. There is a list of common year-end entries on the NDUS Controller Collaboration Teams site. The list is not all-inclusive. There may be additional entries specific to your campus.
- Run the close routine in Peoplesoft for the June Period whenever entries are made after June 30<sup>th</sup>. Navigation in PeoplesSoft is: Setup Financials/Supply Chain/Business Unit Related/General Ledger/Open Periods/Open Period Update. Remember to run the close routine for each ledger; Actuals, Full Accrue and Consol.
- By June 30<sup>th</sup> of each year, the System Office will inform the campuses of the deadline to close the general ledger. No entries to the actuals, full accrue or consol ledgers can be made after the deadline without first contacting the NDUS Director of Financial Reporting.
- **Other Additions/Deductions section of the SRECNP** – after all entries have been posted, the other additions/deductions section of the SRECNP must net to zero, between the actual, fullaccrue and consol ledgers.
- **Full Accrue Adjustments:** The following accounts should net to zero between the actuals and fullaccrue ledgers after fullaccrue adjustment F5 and F6 are made. These accounts in the actuals ledger are for the principal payments on debt and they are netted out by the reduction of the payable in fullaccrue ledger.
  - 581030 – Equipment Lease-Principal
  - 581040 – IT Equipment Lease Principal
  - 581070 – SBITA Principal
  - 582050 – Building Lease - Principal
  - 582055 – Land Lease – Principal
  - 683055 – Special Assessment Principal
  - 701010 – Bond Principal Pymts
  - 701011 – COP Principal Payments. (Certificates of Participation)
  - 701020 – Notes Payable – Principal Pymt
- **Cash**
  - Classify Money Market accounts as Cash and not as Investments.
  - Review cash accounts to ensure amounts are properly classified as restricted and unrestricted.
- **Investments**
  - Review restricted investments to ensure amounts do not exceed the amount allowed by bond indentures plus an amount allowed for principal and interest since last payment date to June 30<sup>th</sup>. For example, if a bond payment

was made on April 1<sup>st</sup>, it is acceptable to have 3/12 of the principal and interest amount as restricted plus the amount allowed by the bond indentures.

- Review investment accounts to be sure that amounts are properly classified as current (unrestricted) and non-current (restricted and endowments) and are properly valued in compliance with GASB Standard #72.
- Reclass institution investments held by foundations on behalf of institutions to account 134005-Investments Hel by Fndn-Curr and 134105-Investments Held by Fndn-NC.

- **Receivables**

- **Accounts Receivable Non-Student:** Record MN Reciprocity Receivable in account 137005. Amounts will be sent to the Controllers by the NDUS System Office by August 1st.
- **Grants Receivable:** Verify that all grants receivables have been properly recorded as of June 30th. Record accounts receivable and revenue for grants and contracts, other than advance pay grants.
- **Notes Receivable/Loans Receivable:** Reclass current portion from non-current using the following accounts:
  - Notes Receivable
    - Current – 125002/126002
    - Non-Current – 125102/126102
  - Due from CU
    - Current – 131001
    - Non-Current – 131051

- **Inventory**

- Verify year-end inventory count processes have been completed and adjust inventory balances in the general ledger to actual counts.

- **Capital Assets & Intangibles:**

- The amounts in the > \$5,000 Equipment accounts in the actuals ledger must equal the amount in the equipment additions account in the fullaccrue ledger after the equipment additions entry has been made. Review capital asset accounts (59xxxx series) to ensure items are properly classified as capitalizable/not capitalizable. In addition, review other general ledger accounts where potentially capitalizable assets may have been recorded and make necessary journal entries. Run Depreciation Calculations and make necessary adjustments to record depreciation expense. Verify and record any gain/loss on disposal of fixed assets.

- The amounts in the Capitalized plant improvement accounts (capitalized repairs and capitalized expenditures) in the actuals ledger must equal the amount in the plant improvement additions (bldgs, land, CIP, etc) accounts in the fullaccrue ledger after all improvements have been capitalized. Verify capital projects that are to be capitalized have ALL expenses capitalized and those that are not have all expenses as NonCapitalized.
  - Verify intangible assets have been properly capitalized, in accordance with GASB standards numbers 51, 87, 94 and 96.
  - The transfer column in the Capital Assets & Intangibles template must net to zero.
  - The accumulated depreciation/amortization additions column in the template must equal depreciation expense in the SRECNP.s
  - Retainage Payable: Tie out Retainage Payable to construction project documents and make necessary entries.
- **Other Assets**
    - **State Appropriation Receivable:** Ensure the Appropriation Rec. State account (133001) is properly recorded to include drawdowns made in July for the previous fiscal year. Reconcile the receivable balance in 133001 to the preliminary and final June 30<sup>th</sup>, 20xx OMB Appropriation Status Reports.
    - **Due to/Due from Other State Agencies:** Verify that your campus' Due to/Due From CU's agree with the CU financial statements. Review payables and receivable for any due to/from Other State Agencies - and record appropriate entries.
    - **Due to/Due from component units:** Verify that your campus' Due to/Due From CU's agree with the CU financial statements. Review payables and receivable for any due to/from component units - and record appropriate entries. Make sure current and non-current classifications are correct.
    - **Prepays:** Record any applicable prepaid expenses in account 142002.
- **Liabilities**
    - **Compensated Absences Liability:** Calculate the liability, in accordance with GASB Standard 101. Additional information and resources for the calculation can be found in the Controllers Group Teams site and the Controller Collaboration Teams site. Record vacation and sick leave liability. Record the current portion to account 233002-Compensated Absences-Current. Record the non-current portion to account 233102-Compensated Absences-NonCurrent. The NDUS Director of Financial

Reporting will notify campuses by July, by email, of the percentage to be used to allocate current versus non-current vacation and sick leave liability.

- **Early Retirement/Severance Liability:** If applicable, calculate early retirement/severance liability. System Office will provide discount rate.
- **Retirement Contributions Liability:** Adjust Retirement Payable to actual. Run query `ndu_ca_ret_tot_by_pypd` to obtain totals.
- **Pension and OPEB Liabilities:** The NDUS Director of Financial Reporting will distribute the required entries and posting instructions to each campus by the end of July.
- **SBITAs (GASB 96):** Review activity for new SBITAs greater than \$25,000 entered into in the current fiscal year or modifications to existing SBITAs. Enter the new SBITAs and make the necessary changes to existing leases in Lease Administration.
- **Long-term Liabilities:** Reclass current portion from non-current to current using the following accounts:
  - Bonds Payable
    - Current – 230002
    - Non-Current – 230102
  - Bonds Payable to CU
    - Current – 230003
    - Non-Current – 230103
  - Notes Payable
    - Current – 231002
    - Non-Current – 231102
  - Notes Payable to CU
    - Current – 231003
    - Non-Current – 231103
  - Long-term Leases Payable
    - Current – 232002
    - Non-Current – 232102
  - Long-term Leases Payable to CU
    - Current – 232003
    - Non-Current – 232103
  - Special Assessments Payable
    - Current – 205001

Non-Current – 205001

- SBITAs Payable
  - Current – 232004
  - Non-Current – 232104
- Interest Payable
  - Current – 203001
  - Non-Current – 203101

- **Interest Payable** – Accrue interest payable on bonds, notes and long-term leases.
- **Bond Discount/Premium:** Record amortization of Bond Discount/Premium.
- **Unspent Bond Proceeds:** If significant bond proceeds are not spent, the portion of the net asset fund balance in the investment in plant fund should be transferred to the unexpended plant fund.

*The calculation is as follows:*

Capital Assets  
Add bond issue costs and prepaid expenses in funds 00001-00019  
Less depreciation  
Less long term debt  
Less unamortized bond premium  
Less interest payable

Add debt portion of any unspent bond proceeds (since that debt doesn't not have a related capital asset yet, the unspent portion needs to be added back in).

- If fund balance in debt service fund exceeds amount needed for debt service payments, reclass excess to unrestricted net position.
- **Bond and Note Refundings:** Contact the NDUS Director of Financial Reporting if your institution had a bond refunding during the fiscal year.
- **Long-term Leases:** Review activity for new long-term leases greater than \$25,000 entered into in the current fiscal year or modifications to existing leases. The \$25,000 threshold starts in FY2023. The FY2022 threshold was \$5,000. Enter the new leases and make the necessary changes to existing leases in Lease Administration.

- **Income**
  - **Endowment Income:** Account 442015 – Endowment Income-Non Operating - should include only endowment and land grant income.
  - **Interest Income – Loans:** Account 442030 – Interest Income – Loans should include only loan fund interest. All other interest income should be coded to 442035 – Interest Income-Non Operating. Loan fund interest is included as other operating income on the SRECNP.
  - **Pell Revenues and all non-exchange grants & contracts:** Reclass revenue as nonoperating revenue crediting account 450020-Federal G&C Non Operating. **This includes Pell Grants SEOG, and TEACH grants and any other non-exchange grants & contracts. FSEOG grants should be classified as non-operating revenue.**
  - **Tuition Waivers:** Reconcile Employee Tuition Waivers in account 516020 to query NDU\_0040\_SF.
  - **Scholarship Allowance:** Calculate Scholarship Allowance and record the appropriate journal entry.
  - **Auxiliary Revenue allocation:** Automated process that allocates balances in auxiliary funds that have non-auxiliary account codes and non-auxiliary funds using auxiliary account codes as well as eliminates interdepartmental revenue. Contact Nicci Strand at nicci.strand@ndus.edu or Robin Putnam at robin.putnam@ndus.edu for instructions.
  - **Reclass capital gifts from gifts accounts:** Review 478005-Gifts and 478007-Gifts from Related Foundations. Reclass capital gifts included in these accounts to 478010-Capital Gifts or 478015-Capital Gifts from Related Foundations.
  - **Ensure Challenge Grant funds are properly recorded.** Refer to the Challenge Grant chapter in this document.
- **Expenses**
  - **Interest Expense -** Account 641005 – Interest Expense - should **not** include interest on capital debt. Capital debt interest should be recorded in 683060, 701005, 701015 or 581025. Interest on capital debt is a separate line in the SRECNP.
  - **Grants:** Verify indirect grant expenses are not included in grant funds.
  - **State Capital Appropriations:** Verify that State Capital Appropriations are not included in Capital Grants and Gifts or State Appropriations.

- **Unspent General Fund Capital Asset Appropriation:** At the end of each biennium, verify that unspent general fund capital asset appropriation is removed from revenue and due from general fund.
- **Bad Debt Expense Reclass** – in the FullAccrue ledger, reclass the amounts recorded to account 621065-Bad Debt Expense to the appropriate revenue account, such as tuition, auxiliaries, grants and contracts or other. This entry should not include bad debt expense associated with loans receivable. Bad debt expense related to loans should remain in bad debt expense.

Per GASB Implementation Guide 7.70.3:

Q—How should a government report a change in the allowance for uncollectible accounts that relates to loans receivable and is therefore not related to a revenue account?

A—The change in an uncollectible loan allowance account should be reported as an expense— there is no related revenue account to reduce. A forgiven or uncollectible loan becomes, in substance, a gift, grant, or contribution, and is properly reported as an expense.

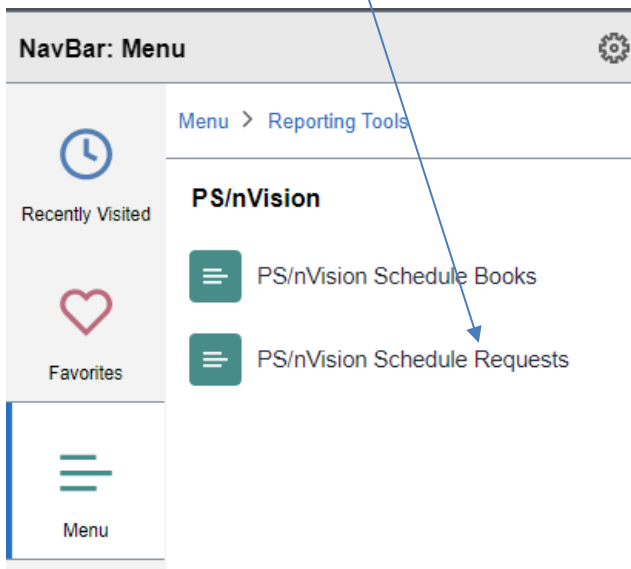
**NDUS REQUESTED TEMPLATES AND INFORMATION (STATEMENTS/SI, NOTES, COMPONENT UNITS, ELIMINATIONS, OMB CAFR)**

**Note:** The list of templates required is subject to change at any time. The NDUS Director of Financial Reporting will inform campuses by email of any changes. **Enter all amounts in WHOLE DOLLARS. Do not enter cents!**

- The following year-end templates will be housed in the Controller Collaboration Teams site. Ensure that you have the access to this site. If you cannot access it, contact the NDUS Director of Financial Reporting.
  - Additional Debt Disclosures
  - Advances from BND
  - Asbestos
  - Asset Impairment Disclosure
  - Bad Debt Entry Reclass JE
  - Beginning Net Position Restatement
  - Capital Assets, Intangibles and CIP
  - Commitments
  - Deferred Inflows-Outflows
  - Donor Restrictions on Endowments
  - Due to-Due From CU
  - Financial Guarantees
  - Flood Damage
  - Investment Expense Allowance
  - Irrevocable Split-Interest Agreement
  - Lease RTU by Category Disclosure – (UND only)

- Long-Term Liabilities
  - NDSLSC collection fees (NDSU only)
  - On-behalf Payments
  - Pledged Revenues
  - SI Bonded Buildings
  - Subcontracts
- The following templates and statements are generated in PeopleSoft financials in nVision and the appropriate manual updates/inputs are made by each campus individually. The completed schedules are then sent by email to the NDUS Director of Financial Reporting.
    - Deposits
    - Investments
    - Statement of Net Position (SNP)
    - Statement of Revenues, Expenses and Changes in Net Position (SRECNP)
    - Statement of Cash Flows

To access the schedules, go to “Reporting Tools” and click on “PS/nVision Schedule Requests.”



Then choose your campus in “Business Unit”. A list of reports will then appear. Click on the appropriate report and it will take you to the “Run” screen. Verify the dates are correct and then click on “Run Report”.

## Report Request

Enter any information you have and click Search. Leave fields blank for a list of all values.

---

▼ **Search Criteria**

Business Unit

Report ID

Description

Case Sensitive

- The following templates will be emailed to the campus Controllers by June 30th. Return completed templates by email to the NDUS Director of Financial Reporting.
  - Scholarship Allowances,
  - Termination Benefits,
  - All component unit templates.
- Complete all templates listed on the request list unless they are designated only for certain campuses. Remember to sign-off in the designated area of each template when complete.
- If certain templates in Teams are not applicable to your campus, type “N/A” in the sign-off section of the template.
- For templates that are not in Teams and are not applicable to your campus, send an email to Robin Putnam at [robin.putnam@ndus.edu](mailto:robin.putnam@ndus.edu) with a list of non-applicable items.
- The templates include instructions or notes to aid you in preparation. Several templates also contain edit checks. **Input the applicable amounts in the colored boxes and make sure that the edit check has a status of “Yes” or a zero difference.** The template is not considered complete if there are outstanding differences. **Do not change any formulas in the edit checks.** If you have questions, email [robin.putnam@ndus.edu](mailto:robin.putnam@ndus.edu).
- Completed templates should be updated in Teams, unless they are templates that were emailed to you. For non-Teams templates, send to the Director of Financial Reporting at [robin.putnam@ndus.edu](mailto:robin.putnam@ndus.edu). **If you know you will not meet certain deadlines, contact the Director of Financial Reporting as soon as possible.**

Send the requested schedules only (unless noted otherwise) but have backup available for the State Auditors Office.

- Things to keep in mind when preparing templates and statements:
  - Do not change any formulas in the templates. Contact the NDUS Director of Financial Reporting if you find an error.
  - Enter only whole dollars. No cents, please!
  - Beginning net position in SRECNP should equal prior year ending net position.
  - Ending net position in SRECNP should equal net position in SNP.
  - The Investment in Capital Assets net position account (310001) must equal total net fixed assets less plant-related debt. See calculation in the **“Reconciliation of Net Position, Investment in Plant”** section of this manual. Review balances in individual plant-related funds.
  - Ending cash in Cash Flow Statement should equal unrestricted and restricted cash in SNP.
  - Depreciation and amortization expense per the Cash Flow Statement should equal depreciation expense in SRECNP.
  - Depreciation and amortization expense in the Cash Flow Statement should equal the total additions to accumulated depreciation and amortization in the capital assets template.
  - Total Operating Income (Loss) on Cash Flow should equal Total Operating Income (Loss) per the SRECNP.
  - CIP template should equal the CIP amount reflected in the capital asset template.
  - Consult the Credit Risk Worksheet for proper classification when completing the investment template.

- Reflect ALL deposits and CD's in the Bank of North Dakota as uninsured in the deposit template.

| Deposits                                 | Carrying Amount  | Bank Balance     | Uninsured Bank Balance (A) |
|--|------------------|------------------|----------------------------|
| <b>Statement of Net Position</b>         |                  |                  |                            |
| Cash Deposits at BND                     | 253,435          | 995,642          | 995,642                    |
| CDs at BND                               | 1,500,000        | 1,500,000        | 1,500,000                  |
| Cash Deposits at Other                   | 4,798,530        | 3,681,111        |                            |
| CDs at Other                             | -                |                  |                            |
| <b>Total Deposits - SNP</b>              | <b>6,551,965</b> | <b>6,176,754</b> | <b>2,495,642</b>           |
| Cash on Hand/Petty Cash                  | 6,750            |                  |                            |
| Less amts reported as investments        | (1,500,000)      |                  |                            |
| <b>Cash &amp; Cash Equivalents - SNP</b> | <b>5,058,715</b> | -                | s/b zero                   |

### BEGINNING BALANCES

- Some templates include beginning balance amounts. These must tie to the prior year ending balances reported in the NDUS consolidated financial statements.

### PEOPLE SOFT ACCOUNTS

- A chart of accounts can be run in PeopleSoft using query, NDU\_GL\_15\_CF\_ACCT.

### nVISION TREES

- The NDU\_ALLACCTS tree denotes how the general ledger accounts roll into the SNP and SRECNP in the nVision reports.

### Component Units

GASB requires that we include certain component unit (foundations) in the NDUS Annual Financial Report. The NDUS Director of Financial Reporting will notify campuses by June 30<sup>th</sup> which component units are required to be included for the current fiscal year.

The Director of Financial reporting will email the component unit templates and deadlines to the applicable campus controller. It is the campus controllers' responsibility to forward the templates to their foundation(s) and ensure they are returned by the deadlines. The campus controllers are also responsible for obtaining the audited financial statements from the foundation and forwarding them to the NDUS Director of Financial Reporting by September 15<sup>th</sup>. The campus controllers should also follow-up on the status of outstanding templates.

### STATE AUDITORS' OFFICE (SAO) REQUEST LETTER

Prior to June 30<sup>th</sup>, the SAO will send a list of items required and due dates for the annual audit to the NDUS Director of Financial Reporting. The Director of Financial Reporting will forward this list to the Campus Controllers.

- The blue-highlighted templates on the SAO Request letter are completed in Teams or run in nVision and sent to the NDUS Director of Financial Reporting who will forward them to the State Auditors' Office.

- All other non blue-highlighted SAO requested items can be sent directly to the SAO by using the SAO Sharepoint portal. Contact the SAO for access to their portal.
- Include the item id in the SAO request list when naming files to be submitted to the SAO.  
*For example: PR 5 – Support for account 223002*
- If you know that you will not meet certain deadlines, contact Mikka Maher at the State Auditors’ Office and the NDUS Director of Financial Reporting as soon as possible to request an extension.

## **Chapter: Unrelated Business Income Tax (UBIT) - IRS PUBLICATION 598**

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**Note:** *The following section provides general guidance regarding Unrelated Business Income (UBI) and Unrelated Business Income Tax (UBIT). It is not intended to be a comprehensive guide for UBI or UBIT. Internal Revenue Service (IRS) regulations related to UBIT are complex and subject to change. Institutions are responsible for ensuring they are sufficiently knowledgeable of the regulations. Institutions also have the option of engaging external tax professionals to consult with regarding UBIT related issues and to prepare or review the Form 990-T.*

The NDUS and its institutions are exempt from payment of income taxes on income from an activity that is substantially related to its charitable, educational or other purpose that is the basis for the organization’s exemption. The NDUS and its institutions are not, however, exempt from tax on activities that are unrelated to their exempt purposes. All activities should be carefully reviewed to determine whether unrelated business activities exist. Institutions should have procedures in place that best fit the institution to ensure UBI and UBIT are accurately reported for their institution. Institutions should review, at least annually, for activities that may be subject to UBIT.

### **Filing of Return and Payment of Taxes**

Generally, Form 990-T is required if the institution’s gross income from all unrelated businesses is \$1,000 or more.

The form and related schedules for the previous fiscal-year and any balances due are due to the IRS by November 15<sup>th</sup> of the following fiscal year. The Form 990-T must be signed by the institution’s President or their designee.

An institution must make estimated tax payments if it expects its UBIT to be more than \$500. Estimated tax payments are due by the 15<sup>th</sup> day of October, December, March and June of the tax year.

If any of the due dates fall on a weekend or legal holiday, the deadline is the next business day. Underpayment penalties may be incurred if the proper estimated tax is not paid when due.

Extensions may be requested using IRS Form 8868.

## **What is UBI and UBIT?**

Institutions providing products or services to external customers may be subject to unrelated business income tax (UBIT) if the activity meets all of the following:

### **1. Substantially unrelated to the exempt purpose(s) of the institution**

Per IRS Publication 598, a business activity is substantially unrelated if it doesn't contribute importantly to the institution's exempt purposes.

Whether an activity contributed importantly depends in each case on the facts involved. To determine whether or not an activity contributes to the exempt purpose (other than through the production of funds), the following considerations should be applied. The list below, however, is not all-inclusive. Other factors may exist, depending on the activity and its circumstances.

- The size and extent of the activity must be considered in relation to the nature and extent of the exempt function that it intends to serve. If an activity is conducted on a scale larger than is reasonably necessary to perform an exempt purpose, it does not contribute importantly to the accomplishment of the exempt purpose. That part of the activity that is more than needed to accomplish the exempt purpose is an unrelated trade or business.
- Dual use for both exempt and commercial purposes will not necessarily exempt the income derived from commercial use, unless the business activity contributed importantly to the exempt purposes.

The use of unrelated income for the institution's tax-exempt purposes does not disqualify the activity from being taxable as UBI. The activity determines the distinction, not the use of funds.

### **2. Operated like a trade or business**

The activity is a trade or business that is conducted with a profit motive. The activity is priced above cost and is operated to generate income.

- An activity conducted in a competitive manner is considered strong evidence of intent to profit.
- The trade business activity is not excluded from UBIT merely because it does not result in a profit.
- Sustained, significant, and repeated losses generated by unrelated activities does not necessarily exclude this activity from being considered a trade or business.

### **3. Regularly Carried on**

Businesses are considered "regularly carried on" if they show frequency and

continuity and are conducted in a manner similar to comparable commercial activities of nonexempt organizations.

An activity is not considered “regularly carried on” if it is:

- a. Performed on a very infrequent basis or one-time basis.
- b. Activities over a period of only a few weeks or days are not “regular” for the institution if the same kind of activity is normally conducted by a nonexempt business on a year-round basis.
- c. Year-round activities are regular even if they are conducted only one day a week.
- d. Seasonal activities may be considered regularly carried on, even though they are conducted only for a short period each year.

### **Exclusions from UBIT**

The following activities are specifically excluded from the definition of unrelated trade or business. Institutions should consult the IRS regulations at [www.irs.gov](http://www.irs.gov) or with their external tax professional for more information regarding exempt activities.

- Activities provided by a volunteer workforce – Activities where substantially all of the work (more than 85%) is performed without compensation is not an unrelated trade or business.

In assessing the contribution made by volunteers, the IRS considers factors such as:

- the monetary value of the service rendered,
  - the number of hours worked,
  - the intrinsic importance of the volunteer work performed, and
  - the degree of reliance placed upon volunteers.
- Activities provided primarily for the convenience of students, faculty or staff is not an unrelated trade or business. For example, a laundry operated by a college for laundering dormitory linens and students’ clothes is not an unrelated trade or business. However, if the laundry provides laundry services to the general public, it is a trade or business.

The IRS’ position is that merely making sales “more convenient” than purchasing from a taxable entity does not fall within the scope of this exception and the exception does not apply to items with useful lives of more than one year. On-line sales do not qualify for the convenience exception.

- Income generated from donated services or merchandise. An activity that consists of selling services or merchandise that is substantially (more than 85%) donated is not an unrelated trade or business.
- Sponsorship payments – Payments made by a person engaged in a trade or business for which they will receive no substantial benefit other than the use or

acknowledgment of the business name, logo or product lines in connection with the institution's activities is a qualified sponsorship payment. "Use of acknowledgment" does not include advertising the sponsor's products or services. For example, an organization promises to use the sponsor's name or logo in acknowledging the sponsor's support for an educational or fundraising event in return for receiving a sponsorship payment.

Sponsorship payments differ from advertising. Advertising includes the following and is usually subject to UBIT, however exceptions may apply.

- Qualitative or comparative language, price information, or other indications of savings or value;
- Endorsements; and
- Inducements to purchase, sell, or use the products or services.

### **Examples of activities generally NOT subject to UBIT**

*Note: The following are merely examples. This is not intended to be an all-inclusive list. Also, facts and circumstances with these activities may vary between institutions. Therefore, institutions should analyze these activities on a case-by-case basis to determine if they are or are not subject to UBIT and consult the IRS regulations at [www.irs.gov](http://www.irs.gov) or their external tax professional regarding activities that could potentially be exempt from UBIT.*

- Sales of farm and agricultural products produced by exempt functions,
- Dormitories rented to students
- Revenue from institution sporting events, including admissions and television and radio rights.
- Dividends, interest, annuities and other investment income,
- Royalty income,
- Rents from real property where no services are provided. (Rents from personal property may be subject to UBIT).
- Gains or losses from disposition of property.
- Income from research activities. The extent of the exclusion depends on the nature of the organization and the type of research.

### **Examples of activities that could potentially be subject to UBIT**

*Note: The following are merely examples. This is not intended to be an all-inclusive list. Also, facts and circumstances with these activities may vary between institutions. Therefore, institutions should analyze these activities on a case-by-case basis to determine if they are or are not subject to UBIT and consult the IRS regulations at [www.irs.gov](http://www.irs.gov) or their external tax professional regarding activities that could potentially be subject to UBIT.*

- Catering services provided to the general public.
- Rental of facilities by alumni and the general public.
- Parking lots provided to the general public.

- Parking revenue from general public attendance at a non-university sponsored event.
- Product testing and research for commercial or industrial application.
- Advertising. However, exceptions may apply. Consult IRS tax regulations for exceptions.
- Joint ventures with for-profit entities
- Sale of computers and computer services to non-university users
- Rental of recreation equipment to the general public.
- Sale of recreation membership cards (swimming, privilege, etc.) to the general public.
- Sale of audio-visual services to non-university users.
- Sale of printing services to non-university users.
- Sale of testing services to non-university users.
- Pharmacy sales (both prescription and non-prescription) to non-patients.
- Sale of childcare services to non-university users.
- Sale of membership lists to commercial organizations.
- On-line stores linked to institution web sites.

### **Tax Law and Job Cuts Act**

Beginning January 1, 2018 UBI can no longer be aggregated to offset gains with losses. Each activity must be segregated. Those with profits will have to pay UBIT and those with losses will accumulate losses.

### **Documentation**

Each institution must retain all documentation related to the preparation of the Form 990-T, in accordance with the NDUS record retention policy. Documentation should include, at a minimum:

- The analysis used to determine whether an activity was an unrelated activity,
- All revenues and expenses incurred in generating UBI,
- All correspondence between the institution and the IRS and/or the institution and their external tax professional.

### **Sources**

- IRS website: [www.irs.gov](http://www.irs.gov)
- IRS Publication 598 – Tax on Unrelated Business Income of Exempt Organizations.
- IRC 26 US Code sections 511, 512 and 513.
- IRS Unrelated Business Income course:  
<https://www.stayexempt.irs.gov/home/existing-organizations/unrelated-business-income>

## Chapter: Internal Control

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Internal control constitutes the methods followed by an organization to protect its assets, to protect against improper asset disbursements, to protect against the incurrence of improper liabilities, to assure the accuracy and dependability of financial statements, to judge operating efficiency, and to measure adherence to legal requirements, State Board of Higher Education policies, and institutional policies. An internal control system recognizes that the cost of internal control should not exceed the benefits realized and takes into considerations costs, benefits and risks. It is each campus' responsibility to determine if adequate internal controls or other compensating controls are in place. It is each campus' responsibility to build and implement adequate internal controls or other compensating controls.

A proper and effective system of financial and administrative controls depends on the establishment of accountabilities, on well-planned accounting and financial records, and on the effective segregation of duties of campus personnel. In addition, internal control requirements are imposed via legal requirements and State Board of Higher Education policies. A strong commitment by campus and system management is required to achieve a strong internal control environment. This commitment is demonstrated through good organizational structure, personnel practices and communication. It is each employee's responsibility to question the effectiveness of internal controls in their daily work.

The basic tenets of a sound internal control structure are:

1. Proper Segregation of Duties: Individuals do not have responsibility for incompatible functions.
2. Authorization: Transactions are conducted in accordance with management's general or specific authorizations.
3. Recording: Transactions are properly accounted for and are accurately and promptly recorded.
4. Safeguarding/Security: Assets and records of the institution are adequately safeguarded.
5. Review/Verification: Proper resolution of differences and adequate management review.

The basic principles of internal control can be summarized as follows:

- Responsibility for the performance of each duty must be clearly identified.
- Accounting and financial operations must be separated.

- All available proofs of accuracy should be utilized in order to insure correctness of operation of accounting.
- No one person should be in complete charge of a business transaction.
- Employees must be carefully selected and trained.
- Employees should be rotated on a job, if possible.
- Operating instructions for each position should be in writing.
- All transactions must contain proper documentation. Campuses using PeopleSoft Workflow must electronically attach the proper documentation to the journal entry in PeopleSoft. The requirement to electronically attach the proper documentation to the journal entry does not apply to allocation journals or automatic feeds from other systems.
- Review of journal entries and account reconciliations should be documented with the initials or signature of the review and the date reviewed, if not using PeopleSoft Workflow.

### **Acceptable Signature Approval Formats**

Acceptable signature approval formats are as follows with #1 being the most preferable method:

1. Approver manually signs document. Original is maintained in the accounting department.
2. Approver manually signs document. Signed document is scanned and forwarded by email to accounting department.
3. Approver uses secured electronic signature that requires a password.
4. Approver approves using email. The body of the email must include the pertinent details of the item being approved so that it can be determined what is being approved. For example, the email should contain vendor name, invoice number, amount being approved, items or services purchased. Statements such as, “I approve the attached invoice” are not acceptable.

**Note: Typing in an approver’s name in a fillable form is not an acceptable approval.**

In designing a system of internal control, personnel should be segregated into functions by those who initiate or authorize a transaction, those who execute the transaction, and those who have responsibility for the asset, liability, expense, or revenue resulting from the transaction. In an ideal environment, a different employee should perform each of the following major functions:

- Authorization
- Recording
- Verification
- Custody of Assets
- Reconciliation and Managerial Review

In a perfect segregation of duties, the monetary accountability and work of one employee is verified by another employee, each employee operates independently and does not

duplicate the work of another, and each employee facilitates the logical conclusion of the work.

Examples of segregation of duties are as follows. This is not intended to be an all-inclusive list.

- The person who requisitions the purchase of goods or services should not approve the purchase.
- The person who approves the purchase of goods or services should not reconcile the monthly financial reports.
- The person who approves the purchase of goods or services should not have access to or custody of checks.
- The person who maintains and/or reconciles the accounting records should not be able to obtain access to or custody of checks.
- The person who opens the mail and prepares a listing of checks received should not be the person who makes the deposit.
- The person who opens the mail and prepares a listing of checks received should not be the person who maintains the accounts receivable accounting records.

Examples of incompatible duties are:

- Authorizing a transaction, receiving and maintaining custody of the asset.
- Performing data entry and data validation tasks.
- Receiving checks and approving account write-offs.
- Depositing cash and reconciling bank accounts.

It is not always practical to have complete segregation of duties, particularly in smaller campuses with limited staff resources. **If it is not practical to establish effective separation of duties, other compensating controls should be implemented, such as additional review of transactions or accounts by someone who is independent from the transaction. Please contact your campus internal audit department or the NDUS Director of Internal Audit for additional guidance on establishing effective compensating controls.**

**It is important to note that the points noted in this chapter do not illustrate the full range of internal controls in an institution. Managers and staff need to develop substitute or additional procedures to the points noted here.**

**Types of Controls**

A control can be either preventive or detective. A preventive control helps to stop an adverse action from occurring. A detective control can catch an adverse action after it has happened. Below are examples of preventive and detective controls.

| Control   | Reduces Risk of:   |
|---|--|
| <b>Segregation of duties (preventive):</b><br>One person should not be able to initiate, approve and record a transaction, reconcile the account, handle the assets associated with | Misappropriation of cash, financial reporting misstatement, personal purchases, theft, falsification of time |

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| the transaction and review/approve reports that would capture that information.  | and financial records, funds diversion, timing differences across accounting periods.  |
| <b>Approval/Authorization/Verification (preventive):</b><br>Transactions over a certain dollar amount must be approved by the appropriate level of management.   | Unauthorized transactions obligating the university to an unwanted financial or performance commitment, financial reporting misstatement, funds diversion, personal purchases. |
| <b>Security/Safeguarding (preventive and detective):</b><br>University assets, information and property should be protected from harm, damage, theft and destruction through locks, passwords, monitoring and/or communication.  | Theft, damage, injury, financial loss, negative publicity, adverse legal action, compromise of confidential information.   |
| <b>Information Technology Controls (preventative and detective):</b><br>General controls over data center operations, software licensing, security access and system maintenance. Application controls include edit checks and matching/batch processing to ensure accuracy, authorization and validity of transactions. | Financial statement misstatement, compromise of confidential information, violation of licensing agreements, legal action and penalties and impaired reputation.               |
| <b>Regular Reconciliations (detective):</b><br><br>Verifies information in a timely manner and helps identify errors and variations.   | Financial reporting misstatement, making decisions based on erroneous information, personal or prohibited purchases, incorrect payments, account deficits                      |

From the standpoint of internal control, transactions may be divided into the following classes: Sale of assets and services, purchase of assets and services, receipt of cash, disbursement of cash, and other transactions.

### Student Billing

| Internal Control   | Risk if Control Not In Place   |
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| Student records should be created only after student has been properly admitted.                                   | A tuition bill may be created and sent to students who are not enrolled.                                 |
| New students should be processed into the system before registration begins.                                       | An unauthorized student may register, resulting in uncollectible tuition.                                |
| Tuition waivers or other discounts should have proper approvals, as defined in the campus policies and procedures. | Unauthorized tuition waivers or other discounts may occur, resulting in decreased tuition and cash flow. |

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| <p>Student information must be protected from unauthorized access.</p>  | <p>Student information may be lost, destroyed or improperly altered. Confidential information may be compromised.</p>                        |
| <p>A tuition bill should be prepared on the basis of supporting information about credit hours taken.</p>   | <p>Tuition may not be billed or recorded correctly or at all.</p>  |
| <p>Procedures should be established to ensure that all credit hours have been billed and exemptions promptly resolved.</p>  | <p>Tuition may not be billed or recorded correctly or at all.</p>  |
| <p>Open accounts receivable should be reviewed periodically for outstanding amount owed. Any outstanding fees should be researched and resolved.</p>  | <p>Overdue payments may not be identified.</p>   |
| <p>Review procedures or computer edits should be in place to ensure the accuracy of invoices recorded and that revenue is recognized in the appropriate accounting period.</p>  | <p>Revenues may be incorrectly recorded or recorded in the wrong accounting period.</p>  |
| <p>All credit memos issued to students should be supported by documentation and contain proper approval, prior to issuance.</p>   | <p>Unauthorized credit memos may be issued, resulting in reduced revenue being recorded and collected.</p>                                   |
| <p>Each campus will have documented criteria and guidelines for awarding each waiver type, including waivers mandated by NDUS Policy 820.</p> <p>a. This should include, at a minimum:</p> <ol style="list-style-type: none"> <li>i. Eligibility requirements, including campus internal requirements or reference to board policy.</li> <li>ii. Application process, including forms and/or required documentation (if applicable).</li> <li>iii. Selection criteria (if awards are limited).</li> <li>iv. Awarding process, including award limits and individuals authorized to make awards (if any)</li> <li>v. Monitoring procedures to ensure accuracy of award and completeness of documentation.</li> </ol> | <p>Improper tuition waivers may be granted, resulting in reduced tuition revenue or proper tuition waivers may not be recorded properly.</p> |
| <p>Campuses must implement proper internal controls for separation of duties so that a different individual performs each task:</p> <ul style="list-style-type: none"> <li>• Approves waiver</li> <li>• Applies waiver</li> <li>• Verifies waiver applied correctly per item C below</li> </ul>   | <p>Improper tuition waivers may be granted, resulting in reduced tuition revenue or proper tuition waivers may not be recorded properly.</p> |

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| <p>Campuses must implement independent verification of waiver posting to ensure accuracy. Methods for this may include, but are not limited to, running a query listing waiver type and amount by student and submitting for review to a person independent from the person posting the waiver.</p>  | <p>Improper tuition waivers may be granted, resulting in reduced tuition revenue or proper tuition waivers may not be recorded properly.</p> |
| <p>Each campus will have documented criteria and guidelines for posting all types of credit adjustments, including, but not limited to: Housing credits, Parking credits, Aviation credits, Bookstore credits, Late Fee credits, etc.</p> <p>This should include maintaining supporting documentation (paper or electronic) for credits submitted.</p>   | <p>Improper or incorrect credit adjustments may be processed, resulting in reduced revenue.</p>  |
| <p>Proper review and approval will be obtained for all credits before posting to student accounts.</p>   | <p>Improper or incorrect credit adjustments may be processed, resulting in reduced revenue.</p>  |
| <p>Credit adjustments should not be applied to tuition and fee charges that are generated by the tuition calculation process.</p> <ol style="list-style-type: none"> <li>a. However, if this is necessary in order to correct a student’s account in a specific circumstance, the campus should be aware of the following potential issues: <ol style="list-style-type: none"> <li>i. The 1098-T for that student will need to be manually updated as credits are not pulled by the 1098-T process.</li> <li>ii. A refund could potentially be generated for the student in error if the tuition and fees later decrease through tuition calculation.</li> </ol> </li> </ol> | <p>Improper or incorrect credit adjustments may be processed, resulting in reduced revenue.</p>  |
| <p>Individuals with the security to post credits should not also post cash transactions unless a documented compensating control is in place.</p>  | <p>Improper or incorrect credit adjustments may be processed, resulting in reduced revenue.</p>  |
| <p>Campuses must implement independent verification of credit adjustments to ensure accuracy. Methods for this can include, but are not limited to:</p>  | <p>Improper or incorrect credit adjustments may be processed, resulting in reduced revenue.</p>  |

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| <p>a. Submitting the group post report back to the originating department for review</p> <p>b. Ensuring that proper approvals are obtained before credits are posted</p> |  |
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**ACCOUNTS RECEIVABLE**

| <b>Internal Control</b>  | <b>Risk if Control Not In Place</b>   |
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| Each campus should have written credit, collection and write-off policies.   | Credit and collection activities may not be adequately performed. Write-offs could occur prematurely or not at all.   |
| Receipting of cash payments should be separated from posting of accounts receivable subsidiary ledgers and handling of cash disbursements. If this is not practical due to small staff size, other compensating controls should be in place. Note: automated journal feeds are performed through PeopleSoft to post to the general ledger. | Intentional errors or misappropriation of assets could occur, including sales are invoiced but not recorded and cash receipts are incorrectly applied and/or are misappropriated or diverted. |
| Input to the detailed accounts receivable subsidiary system should be based upon verified billing records and remittances. Procedures should be established to ensure the accurate and timely recording of billings and payments.  | The subsidiary system may be inaccurate as invoices and/or cash receipts may not be recorded, may be incorrectly recorded or may be recorded in the wrong accounting period.                  |
| The accounts receivable subsidiary ledger should be reconciled to the general ledger on a periodic basis and any differences appropriately resolved. The reconciliation should be reviewed/approved by an accounting supervisor/manager.   | Accounts receivable agings and/or general ledger may be incorrect and may result in delinquent customer remittances or the write-off of delinquent accounts.                                  |
| The accounts receivable detail should be reviewed by financial management for any unusual or seriously delinquent items.   | Errors in either the general or subsidiary ledgers may not be identified and corrected on a timely basis.   |
| Accounts to be written off as uncollectible should be approved by someone other than the accounts receivable clerk.  | Valid collectible accounts may be written-off resulting in a decrease in tuition revenue and cash flow.   |
| All other adjustments to the receivable balances should contain the proper approval by someone other than the person making the adjustment.  | Accounts receivable balances may be misstated.  |

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| Accounts receivable allowances and reserves should be reviewed periodically for adequacy and reasonableness by a manager or supervisor. Review should be documented. | Collectible accounts receivable may be written off and/or cash receipts may be misappropriated.                              |
| Detailed accounts receivable information should be safeguarded from loss, destruction or unauthorized access.  | Loss, destruction, or alteration of accounts receivable records may result in the inability to collect outstanding balances. |

## CASH

In the case of cash sales, the transaction should be verified or the cash accounted for by someone other than the person who makes the sale. Cash receipts should be recorded utilizing a cash register or other mechanical verifying equipment, which accumulates totals of cash transactions to serve as proof of accuracy.

## CASH RECEIPTS

| Internal Control  | Risk if Control Not in Place                      |
|---|---|
| <p>Proper segregation of duties should exist. The individual responsible for receiving and depositing checks/cash should not also be able to:</p> <ol style="list-style-type: none"> <li>1. Record transactions to the accounts receivable subsidiary ledger;</li> <li>2. Record transactions to the general ledger;</li> <li>3. Collect delinquent receivables;</li> <li>4. Authorize write-offs, credit memos and discounts;</li> <li>5. Prepare billing documents;</li> <li>6. Reconcile the bank statement to the general ledger.</li> </ol> <p>If it is not possible to establish effective separation of duties due to staff size, then other compensating controls should be in place.</p> | Cash may be misappropriated.                      |
| Cash receipt records must be maintained for all cash received. Receipts should be pre-numbered and/or system generated.   | Cash receipts may be lost and/or misappropriated. |
| Checks receipts should be restrictively endorsed and secured immediately upon receipt.  | Cash receipts may be lost and/or misappropriated. |
| Persons who receive cash should not have access to the general ledger.  | Cash receipts may be misappropriated              |

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| <p>Cash receipts should be logged and deposited in the bank daily or as dictated by policy. The cash receipts log should be compared to bank statements and posted to the general ledger on a timely basis.</p>  | <p>Lost, incorrectly recorded, and/or misappropriated cash receipts may not be identified and corrected timely.</p> |
| <p>Departments other than the Business Office, that receive cash must maintain receipt records and control procedures. Cash receipts of various departments should be deposited to the Business Office intact, on a daily basis.</p>   | <p>Cash receipts may be lost and/or misappropriated.</p>  |
| <p>All Business Office receipts must be deposited intact to the local clearing accounts daily.</p> <ul style="list-style-type: none"> <li>• Bank deposits must be prepared by someone other than the person opening the mail, posting the accounts receivable, collecting delinquent receivables and/or authorizing write-offs, credit memos and/or discounts.</li> <li>• Accounts receivable posting should be done by someone other than the person opening the mail or making the bank deposit.</li> <li>• Duplicate deposit tickets should be forwarded to the accounting department and bank deposits should be compared with totals of cash receipts.</li> </ul> <p>If it is not practical to separate these duties due to small staff size, other compensating controls should be in place.</p> | <p>Cash receipts may be lost and/or misappropriated.</p>  |
| <p>Disbursements should not be made from receipts but should be made by check from specific funds established for that purpose.</p>  | <p>Cash may be misappropriated and expenditures may not be properly recorded in the general ledger.</p>             |
| <p>Returned checks should be accounted for by someone other than the person responsible for the bank deposit. If it is not practical to separate these duties due to small staff size, other compensating controls should be in place.</p>   | <p>Cash may be misappropriated.</p>   |
| <p>Only one cashier should be able to access a cash drawer at any given time. Cash drawers should be locked when cashier is</p>  | <p>Cash may be misappropriated.</p>   |

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| not present and should not be shared across shifts/employees.  |  |
| Cash drawers should be counted and verified at the beginning and end of each shift.  | Cash may be misappropriated.   |
| Surprise cash counts should be performed on a periodic basis. The results of the surprise cash count should be documented.   | Cash may be misappropriated.   |
| Balancing discrepancies should be investigated by internal audit or the Business Office if internal audit does not exist on a campus.  | Cash may be misappropriated.   |
| Cash receipts should be reconciled to the bank deposit by someone independent of the cash receipt process.   | Cash may be misappropriated and/or not accurately reported in the general ledger.  |
| Cash accounts should be reconciled <b>to zero</b> monthly to the bank statements by someone other than the person making journal entries to the general ledger or the person making the bank deposit. If it is not practical to separate these duties due to small staff size, other compensating controls should be in place. | Cash may not be properly recorded in the general ledgers, errors may not be identified in a timely manner and cash may be lost or misappropriated. |

#### DISBURSEMENTS OF CASH

| <b>Internal Control</b>   | <b>Risk if Control Not in Place</b>  |
|---|--|
| Purchasing transactions should be conducted in accordance with SBHE Policies 803.1, 803.2 and NDUS Procedures 803.1 and individual campus policies.   | Unauthorized or improperly authorized purchases may be made from an unauthorized supplier. Goods/services may be ordered and received by an unauthorized individual. |
| Purchasing responsibilities should be segregated from disbursement and accounting activities. If it is not practical to segregate due to small staff size, compensating controls such as periodic buyer rotation or other compensating controls should be in place. | Unauthorized or improperly authorized purchases may occur. Purchases may be made from an unauthorized supplier.  |
| Purchase orders or purchase requisitions should be used for goods or services if required by campus policy.   | Payment may be made for unordered goods or services, excessive quantities or incorrect items and/or canceled or duplicate orders.                                    |
| Purchase orders/transactions should be uniquely identifiable.   | Improper purchases may occur.  |

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| Purchase orders or access to input screens should be safeguarded.  | Unauthorized goods/services may be ordered or authorized goods/services may be reported inaccurately. |
| Capital or expense items to be returned should be properly approved prior to return.   | Items may be inadvertently returned to inventory, and/or recorded incorrectly. Potential of theft.    |
| Receiving department should be segregated from the purchasing department unless it is not practical. If not practical due to small staff size, other compensating controls should be in place.   | Unauthorized goods/services may be ordered or authorized goods/services may be reported inaccurately. |
| When goods are received, they should be weighted, counted, measured and inspected for quality or specification.  | Defective or otherwise inadequate goods may be received.  |
| Goods or merchandise should only be accepted that have been ordered by the campus, in accordance with NDUS and campus purchasing policies. All goods and merchandise not properly ordered should be returned to the vendor.  | Improper and unauthorized purchases could be made.  |
| The receiving department should prepare a document of receipt that is dated and signed with proper notification to the purchasing and accounting departments.  | Payment for goods may be delayed.   |
| The accounts payable function should be segregated from <ul style="list-style-type: none"> <li>• the purchasing and receiving functions and</li> <li>• the recording of transactions in the general ledger function.</li> </ul> If not practical due to small staff size, other compensating controls should be in place.  | Payment could be made for unauthorized or improper purchases.   |
| Separation of duties requires that the <u>approval</u> of an invoice for payment be separated from: <ul style="list-style-type: none"> <li>• the recording of the payables,</li> <li>• preparing of checks/electronic payments,</li> <li>• controlling and reconciling of checks/electronic payments.</li> <li>• the individual who prepares and distributes the checks/electronic payments should have no connection with the preparation or approval of the underlying documents or invoices.</li> </ul> | Unauthorized goods/services may be ordered and/or paid for. Cash may be misappropriated.              |

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| If not practical due to small staff size, other compensating controls should be in place.  |   |
| Satisfactory evidence must exist to establish the validity of each cash disbursement. Examples of satisfactory evidence are properly approved receiving documents, request for payment documents, purchase orders and original vendor invoices. Once paid, documents must be controlled so that they cannot be presented again for payment and accompanying invoices should be marked as paid. | Unauthorized goods/services may be ordered and/or paid for. Cash may be misappropriated.  |
| Before payment is made, invoices should be reviewed, prior to payment, for: <ul style="list-style-type: none"> <li>• approval,</li> <li>• receipt of goods or services,</li> <li>• accuracy of price,</li> <li>• accuracy of quantity billed and</li> <li>• account coding.</li> </ul>   | Improper or unauthorized payments may be made.  |
| Supporting documentation should be matched to invoices. It should then be attached to invoice and retained.  | Improper or unauthorized payments may be made.  |
| Original invoices should be used as the basis for payment.   | Duplicate payments may occur  |
| Invoices for goods or services where a purchase order does not exist should contain the proper approval.   | Improper or unauthorized payments may be made.  |
| Aged, unmatched purchase order, receiving transactions and invoices should be periodically reviewed, investigated and resolved.  | Payment may not be made for goods & services, potentially affecting vendor relationships, continuity of future purchases and impaired reputation. |
| Accounts payable staff should review debit balances periodically and request remittance on debit amounts that will not be offset by future purchases.  | Decreased cash flow.  |
| All disbursements other than petty cash should be made by prenumbered checks or electronic payments. Spoiled or voided checks should be controlled and properly filed.   | Cash may be misappropriated.  |
| Spoiled, voided and canceled checks should have the signature portion removed immediately.   | Cash may be misappropriated.  |
| Payment preparation and check signing should be separated. If it is not feasible to  | Cash may be misappropriated.  |

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| separate due to small staff size, other compensating controls should be in place.   |   |
| Payment preparation, printing of checks/submitting electronic payments, check signing and check distribution should be segregated from supplier set-up and invoice input. If it is not feasible to separate due to small staff size, other compensating controls should be in place.  | Cash may be misappropriated.  |
| Blank check stock should be safeguarded from destruction or unauthorized use. The blank check supply should be periodically accounted for as being issued, voided or unused.  | Cash may be misappropriated.  |
| Signature plates on mechanical check signing equipment must be separated from the equipment and properly controlled when not in use.  | Cash may be misappropriated.  |
| Debit and credit memos issued to supplier accounts should be documented and approved in accordance campus policy  | Supplier accounts may not reflect the proper balance and cash may be misappropriated. |
| Reconciliations should be prepared by someone other than the person handling cash or approving payments.<br><br>Reconciliations should be reviewed by a manager or supervisor that does not have input responsibilities. The review should be documented.   | Cash may be misappropriated.  |
| Banking activity should be reviewed on a daily basis using the bank's online banking system. Individuals reviewing activity should not have the ability to: 1) initiate transfers or payments or 2) make deposits or 3) generate journal entries, unless adequate compensating controls are also in place. Bank of North Dakota accounts should be reviewed using BND Direct. | Cash may be misappropriated.  |
| Petty cash funds may be established in departments and used for small transactions for convenience purposes. Petty cash vouchers should be pre-numbered and accounted for in balancing the petty cash fund. Balancing and reimbursing the petty   | Cash may be misappropriated.  |

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| cash fund should be done by someone other than the petty cash custodian. |  |
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**PAYROLL**

| <b>Internal Control</b>   | <b>Risk if Control Not in Place</b>   |
|---|---|
| All campuses should comply with SBHE policies 600 through 616. In addition, campus human resources policies should be established for the hiring, promotion, transfer and termination of employees.   | Unqualified employees may be hired, promoted or transferred. Employees may be improperly terminated.    |
| Policies for employee benefits, such as sick leave, pension, vacations, and insurance should be established. Rules, criteria, procedures, etc. for all benefits should be documented and approved by management.                            | Incorrect amounts may subsequently be disbursed to employees or accrued/expensed in the general ledger. |
| All compensation and benefit documentation should be maintained by HR. It should, at a minimum, include properly executed employment forms, authorized classification and pay rates.  | Incorrect or unauthorized employment or benefit data may exist.   |
| The duties of hiring, payroll computation, and payment of employees should be separated. If not feasible to separate due to small staff size, other compensating controls should be in place.   | Improper employee payments may occur.   |
| Compensation to employees should be made at the authorized rate. Changes to compensation should be properly documented and authorized, according to policy.   | Improper employee payments may occur.   |
| Procedures should be established to secure and protect master file information. Changes should be restricted to properly authorized additions, deletions and changes which are supported by documentation in the employee's personnel file. | Unauthorized changes could be made to employee information. Confidential data could be compromised.     |
| Only authorized personnel should have access to the Payroll department and its records.   | Unauthorized changes could be made to employee information. Confidential data could be compromised.     |

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| <p>The Payroll department should be promptly and formally notified of the termination or transfer of any employee or of payroll changes so that payroll records can be adjusted.</p> <p>Before issuing a final payroll check to a terminated employee, HR and the employee's department supervisor should ensure:</p> <ul style="list-style-type: none"> <li>• all outstanding advances and expense statements have been cleared,</li> <li>• all university credit cards have been returned,</li> <li>• all computer accounts have been cancelled or passwords changes and</li> <li>• all university property, proprietary information, employee badges and security passes or keys have been returned.</li> </ul> | <p>Payments could be made to a terminated employee. In the case of a transfer, the expense may not be recorded in the proper department and/or fund.</p> |
| <p>Payroll payments should be made only from properly approved time records or other evidence of performance of services.</p>  | <p>Improper employee payments may occur. Accrued vacation and sick leave balances may not be properly stated.</p>  |
| <p>Hourly employees are required to submit on a timely basis, timecards, time sheets or other authorized recording media before payroll processing is performed.</p>   | <p>Improper employee payments may occur. Accrued vacation and sick leave balances may not be properly stated.</p>  |
| <p>Non-exempt employees are required to submit on a timely basis, timecards, time sheets or other authorized recording media indicating leave taken during the previous month or pay period. The frequency and manner of submission is to be determined by each campus.</p>  | <p>Improper employee payments may occur. Accrued vacation and sick leave balances may not be properly stated.</p>  |
| <p>Controls should be maintained, with sufficient edits, to ensure all payroll source data is valid and properly input. Controls should also be established to ensure duplicate or unauthorized payroll source data may not be processed.</p>  | <p>Improper employee payments may occur. Accrued vacation and sick leave balances may not be properly stated.</p>  |

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| Special payments processed by the Payroll department (e.g., relocations, special engagements for other departments, supplemental pay, etc.) should be properly authorized, approved, and documented before payment and should be in accordance with applicable tax requirements. | Improper employee payments may occur.    |
| All payroll payments should be traceable and uniquely identifiable.  | Improper employee payments may occur.    |
| Procedures should be in place to ensure that only authorized additions, deletions or changes to employee information are allowed.  | Employee data may be improperly changed. |
| Blank check stock should be pre-numbered and physically secured. Checks should be periodically accounted for as being issued, voided or unused through as part of the bank account reconciliation process.   | Cash may be misappropriated.             |
| Signed payroll checks, manual warrants and direct deposit advices should be physically secured until distributed to employees.   | Cash may be misappropriated.             |
| Check signing equipment or facsimile signature plates or digitized signatures should be secured and custody of the equipment or digitized signatures should be secured.  | Cash may be misappropriated.             |
| Payroll check signatories should be individuals who have no payroll authorization or preparation responsibilities or access to unused checks. If it is not feasible to segregate due to small staff size, other compensating controls should be put in place.                    | Cash may be misappropriated.             |
| Completed payroll registers should be reviewed and approved by appropriate financial management prior to disbursement. The review should be documented.  | Improper employee payments may occur.    |

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| On a frequent basis, actual payroll costs should be compared to budgeted costs by department managers or other designated personnel.              | Payroll expense and related liabilities may not be reflected in the proper department and/or fund. Improper employee payments may occur. |
| Payroll liabilities should be reconciled on a at least a quarterly basis by a person by someone who does not have direct access to payroll input. | Payroll liabilities may not be accurately recorded.  |

**INVENTORY**

|   |  |
|---|--|
| The following duties should be segregated: <ul style="list-style-type: none"> <li>• Custody of inventory and performing inventory counts.</li> <li>• The recording of the inventory in the subsidiary records or spreadsheets and the recording of inventory in the general ledger.</li> <li>• Custody of the inventory and access to make entries in the general ledger.</li> <li>• Reconciliation of the inventory system records or spreadsheets and entering entries in the general ledger system or the subsidiary records or spreadsheets.</li> </ul> | Inventory may be misappropriated.  |
| A perpetual inventory system should be used. If not practical, other compensating controls should be in place.  | Inventory may be misappropriated or not accurately reflected in the general ledger.            |
| The person receiving new inventory should sign the requisition or equivalent form to evidence receipt. The signed form should then be forwarded to the accounting department.   | Delay in payment may occur. Payment for unauthorized inventory purchases may occur.            |
| Physical access to inventory should be restricted to authorized persons.  | Inventory may be misappropriated.  |
| Materials from storerooms should only be disbursed upon proper signed requisition.  | Inventory may be misappropriated.  |
| A physical inventory of fixed assets should be done at least annually by persons independent of the custodial or record keeping functions. If this is not practical due to small staff size, other compensating controls should be in place. The physical counts should be reconciled to the general ledger by someone who  | Inventory may be misappropriated and/or may not be accurately reflected in the general ledger. |

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| <p>does not have custody responsibility for the inventory. All general ledger adjustments to reconcile to the physical counts should be approved by the Controller of CFO.</p>   |  |
| <p>Physical inventories:</p> <ul style="list-style-type: none"> <li>• should have clearly written instructions.</li> <li>• should be supervised by someone independent of the custodial or record keeping functions.</li> <li>• should have counts made by someone independent of the custodial or record keeping functions.</li> <li>• counts should be signed and dated by person supervising the count.</li> <li>• should have proper cut-off procedures for receipts and issues from inventory at year end.</li> <li>• should use pre-numbered inventory tags.</li> <li>• physical counts should be reconciled to the general ledger by someone who does not have custody responsibility for the assets.</li> <li>• all general ledger adjustments to reconcile to the physical counts should be approved by the Internal Audit, the Controller or the CFO.</li> </ul> | <p>Inventory counts may be misstated and inventory balances may not be accurately reflected in the general ledger.</p> |
| <p>A physical inventory should be taken when there is a change at a management or supervisory level that has responsibility for the inventory.</p>   | <p>Inventory may be misappropriated.</p>   |

**FIXED ASSETS**

|   |   |
|---|---|
| <p>The following duties should be segregated:</p> <ul style="list-style-type: none"> <li>• Custody of the fixed assets and performing fixed assets inventory counts.</li> <li>• Reconciliation of the fixed asset system records and entering entries in the fixed asset system.</li> </ul> | <p>Fixed assets may be misappropriated.</p> |
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| <ul style="list-style-type: none"> <li>• Custody of the fixed assets and tagging of the assets.</li> <li>• Custody of the fixed assets, access to make entries in the fixed asset system and the general ledger.</li> </ul>  |   |
| <p>An inventory system should be maintained that includes asset description, location, asset tag number, cost, date acquired, depreciation and depreciable life. The records are to be maintained in the PeopleSoft Fixed Asset Management system.</p>   | <p>Fixed assets may be lost or misappropriated.</p>   |
|  |   |
| <p>A physical inventory of fixed assets should be done at least annually by persons independent of the custodial or record keeping functions. If this is not practical due to small staff size, other compensating controls should be in place.</p>  | <p>Fixed assets may be lost or misappropriated. Fixed asset balances may not be accurately reflected in the general ledger.</p> |
| <p>Physical inventories:</p> <ul style="list-style-type: none"> <li>• should have clearly written instructions.</li> <li>• should be supervised by someone independent of the custodial or record keeping functions.</li> <li>• should have counts made by someone independent of the custodial or record keeping functions.</li> <li>• counts should be signed and dated by person supervising the count.</li> <li>• should have proper cut-off at year end.</li> <li>• should use pre-numbered inventory tags.</li> <li>• physical counts should be reconciled to the general ledger by someone who does not have custody responsibility for the assets.</li> <li>• all general ledger adjustments to reconcile to the physical counts should be approved by the Internal Audit, the Controller or the CFO.</li> </ul> | <p>Inventory counts may be misstated and inventory balances may not be accurately reflected in the general ledger.</p>          |

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| A physical inventory should be taken when there is a change at a management or supervisory level that has responsibility for the assets. | Fixed assets may be lost or misappropriated. |
| Newly acquired fixed assets should be tagged promptly.   | Fixed assets may be lost or misappropriated  |
| Disposals of fixed assets should be approved by a properly designated institutional official.  | Fixed assets may be lost or misappropriated  |

### INVESTMENTS

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| Investment transactions should be performed by authorized campus officials and in accordance with SBHE Policy 810.   | Unauthorized or improper investment transactions could occur.  |
| The following duties should be segregated. If it is not practical due to small staff size, other compensating controls should be in place. <ul style="list-style-type: none"> <li>• Performing investment transactions.</li> <li>• Safekeeping of the investment documents.</li> <li>• Recording investment transactions to the general ledger.</li> </ul> | Unauthorized investment transactions could occur. Investment documents could be altered, lost or misappropriated. Investment balances may not be accurately reflected in the general ledger. |
| Investments should be purchased and sold only upon proper authorization.   | Unauthorized investment transactions could occur.  |
| All documents evidencing ownership should be physically secured and safeguarded.   | Investment documents could be altered, lost or misappropriated.  |
| Detailed records should be maintained that include the following: <ul style="list-style-type: none"> <li>• Date of purchase, purchase amount and maturity date.</li> <li>• Physical location of document.</li> <li>• Interest dividend or income rates and accrual and receipt dates.</li> </ul>   | Investment balances may not be accurately reflected in the general ledger.   |
| Detail accounting records should be reconciled to the general ledger on a periodic basis and reviewed by someone independent of the record keeping or custodial function. The review should be documented.   | Investment balances may not be accurately reflected in the general ledger  |

### DEBT

|   |   |
|---|---|
| Debt transactions obligating a campus should be performed by authorized campus officials and in accordance with SBHE Policies 804.1, 810.1 and 810.3 as well as NDUS Procedures 804.1 | Unauthorized or improper debt transactions could occur. |
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| Documents relating to debt instruments should be physical safeguarded  | Debt transaction documents could be altered, lost or misappropriated.  |
| Separate accounting records should be maintained for each debt issuance.   | Debt transactions may not be accurately reflected in the general ledger.   |
| The following duties should be segregated. If it is not practical due to small staff size, other compensating controls should be in place. <ul style="list-style-type: none"> <li>• The handling and recording of debt.</li> <li>• Review and reconciliation from the posting of debt transactions.</li> </ul> | Unauthorized or improper debt transactions could occur. Debt transactions may not be accurately reflected in the general ledger. |
| Proceeds from debt should be monitored on a regular basis to ensure they are used in accordance with legal requirements.   | Proceeds may be used for unauthorized or improper purposes.  |

**JOURNAL ENTRIES**

|  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• All journal entries should be properly documented and recorded in the general ledger. For non-system generated journal entries, proper and sufficient supporting documentation and approval should be retained with the journal entry.</li> </ul> | Unauthorized or improper journal entries may be made to the general ledger. |
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**Chapter: Accounting for North Dakota Challenge Fund**

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**Introduction**

During the 2013-2015 Legislative Session, the North Dakota Higher Education Challenge Grant Fund program was established under ND Century Code section 15-10-48. The program is chaired by the North Dakota Lieutenant Governor and the committee is composed of two senators, two representatives, two SBHE members and two members at large appointed by the Governor. The program is available to the NDUS institutions. Funding applications, having met several specific criteria are brought before the committee for approval. Once approved the NDUS System Office disburses the funds awarded to the campuses. Distributions of grant awards are determined by the legislatively prescribed grant review committee.

Additional information regarding eligibility, the application process, funding and timelines can be found in the North Dakota Higher Education Challenge Grant Fund rules of Operations & Procedures (Challenge Grant Fund Guidelines) issued by the Governor’s Office. Copies of the guidelines are available at institutions, the NDUS System Office and the Governor’s Office or online at [North Dakota University System | ND Higher Education Challenge Grant Fund \(ndus.edu\)](http://North Dakota University System | ND Higher Education Challenge Grant Fund (ndus.edu))

**Funding**

Approved projects are subject to all state procurement and open record laws. NDUS System Office will issue all monies to the institutions, including funds for foundation projects. A signed Memorandum of Understanding (MOU) between the institution and

the foundation needs to be in place before monies can be transferred between the campus and the foundation. The agreement will clearly state that the grant monies shall only be used for the purposes stated in the application to the Grant Review Committee. An MOU template can be obtained from the NDUS Special Projects Assistant-Administrative Affairs.

### **Accounting for State Matching Grant Portion**

Institutions should account for the state matching grants by using an unexpended grant plant fund and project or restricted grant fund and project.

Unexpended grant plant funds/projects are used for construction/renovation projects  
Other restricted grant fund/project are used for non-construction/renovation projects.  
Institutions should use a local fund to account for monies received from the System Office that are to be forwarded to the foundation.

Revenue is recognized for the full amount of the award after the Committee and Chancellor approvals have been received, in accordance with GASB 33. For practical purposes, the revenue can be recognized when the monies are received. A receivable will be recorded at year-end if approvals are received prior to June 30<sup>th</sup> and the funds are disbursed after June 30<sup>th</sup>. The state portion of funds should be coded to revenue using account numbers 451005-State Capital Grants & Contracts or to 451010-State Grants & Contracts, depending on if the funds are for a capital project.

A project should be created in PeopleSoft using a fund in the 40000-49999 fund range. Institutions that use the PeopleSoft Grant Module will set up the project using the processes established at their institutions. Institutions that do not use this module will track revenues and expenditures in the same manner used for other grants at the institution.

At year-end, unspent Challenge Grant monies should be reclassified to unearned revenue.

### **Accounting for Monies Received from the Foundation that are non-endowment monies**

The NDUS System Office will send approved grant monies to the institutions and the institutions, in turn, will forward the monies approved for foundation to the appropriate foundation. Institutions will use account number 213001-Accounts Payable to CU-Current to record the receipt of these monies in the institution's general ledger. Upon remittance to the foundation, the institution will debit this account. Institutions should use a local fund to account for monies received from the System Office that are to be forwarded to the foundation. **Note: this section does not apply to interest earned on endowments that is remitted to the institution by the foundations.**

The institution will record the revenue when the monies are received from the foundation, using account 478007-Gifts from Related Foundations for non-capital projects or account 478015-Capital Gifts from Related Foundation, for capital projects. An unexpended plant fund in the 28000 -29999 range should be used for capital

projects. A restricted fund in the 79000-79999 range should be used for non-capital projects.

If the institution creates a project in PeopleSoft to track the activity, submit a CTS help-desk ticket to change the budget definitions to allow projects in the 79000-79999 range, if you have not already done so.

The money may be held in the project for a length of time and not be spent depending how the campus funds the gift portion. For example, the state may send their portion, but the Foundation does not send their portion until the project begins expenditures. Also, the Foundation may advance a gift if the project wants to begin expenditures and the pledge has not been fully received.

### **Foundation Endowment Funded Projects for Operating Expenses**

The NDUS System Office will send approved grant monies to the institutions and the institutions, in turn, will forward the monies approved for foundation to the appropriate foundation. Institutions will use account number 213001-Accounts Payable to CU-Current to record the receipt of these monies in the institution's general ledger. Upon remittance to the foundation, the institution will debit this account. Institutions should use a local fund to account for monies received from the System Office that are to be forwarded to the foundation.

When earnings from these endowments are received from the foundation, the institution will establish a fund in the institution's general ledger that corresponds to how the earnings from the endowment will be spent. The institution will recognize the spending portion of the endowment as gift revenue using a restricted fund.

### **Reporting Requirements**

Consult the ND Higher Education Challenge Grant Fund website at [North Dakota University System | ND Higher Education Challenge Grant Fund \(ndus.edu\)](http://NorthDakotaUniversitySystem|NDHigherEducationChallengeGrantFund(ndus.edu)) for reporting requirements.

## Chapter: Composite Financial Index (CFI)

| Financial Ratios   |         |          |        |         |
|--|---------|----------|--------|---------|
| Primary Reserve Ratio Calculation:                           |         |          |        |         |
|  | Data    | Strength | Weight | CFI     |
| Institution unrestricted net assets -                        | + 0.0   |          |        |         |
| Institution expendable restricted net assets                 | + 0.0   |          |        |         |
| C.U. unrestricted net assets                                 | + 0.0   |          |        |         |
| C.U. temporary restricted net assets                         | + 0.0   |          |        |         |
| C.U. net investment in plant                                 | - 0.0   |          |        |         |
| <b>Numerator Total</b>                                       | 0.0     |          |        |         |
| Institution operating expenses                               | + 0.0   |          |        |         |
| Institution non-operating expenses                           | + 0.0   |          |        |         |
| C.U. total expenses  | + 0.0   |          |        |         |
| <b>Denominator Total</b>                                     | 0.0     |          |        |         |
| <b>Primary Reserve Ratio =</b>                               | #DIV/0! | #DIV/0!  | 0.35   | #DIV/0! |
| Net Operating Revenue Ratio Calculation:                     |         |          |        |         |
| Institution operating income (loss)                          | + 0.0   |          |        |         |
| Institution net non-operating revenues                       | + 0.0   |          |        |         |
| C.U. change in unrestricted net assets                       | + 0.0   |          |        |         |
| <b>Numerator Total</b>                                       | 0.0     |          |        |         |
| Institution operating revenues                               | + 0.0   |          |        |         |
| Institution non-operating revenues                           | + 0.0   |          |        |         |
| C.U. total unrestricted revenues                             | + 0.0   |          |        |         |
| <b>Denominator Total</b>                                     | 0.0     |          |        |         |
| <b>Net Operating Revenue Ratio =</b>                         | #DIV/0! | #DIV/0!  | 0.10   | #DIV/0! |
| Return on Net Assets Ratio Calculation:                      |         |          |        |         |
| Change in net assets + C.U. change in net assets             | 0.0     |          |        |         |
| Total net assets + C.U. total net assets (beginning of year) | 0.0     |          |        |         |
| <b>Return on Net Assets Ratio =</b>                          | #DIV/0! | #DIV/0!  | 0.20   | #DIV/0! |
| Viability Ratio Calculation:                                 |         |          |        |         |
| Expendable net assets  | 0.0     |          |        |         |
| <b>Numerator Total =</b>                                     | 0.0     |          |        |         |
| Institution long-term debt (total project related debt)      | + 0.0   |          |        |         |
| C.U. long-term debt (total project related debt)             | + 0.0   |          |        |         |
| <b>Denominator Total =</b>                                   | 0.0     |          |        |         |
| <b>Viability Ratio =</b>                                     | 0.000   | 10.000   | 0.35   | 3.50    |
| <b>COMPOSITE FINANCIAL INDICATOR SCORE (CFI)</b>             |         |          |        | #DIV/0! |

### Use of Component Units

Component Units, for the purposes of this calculation, are defined as the major and non-major component units that are discretely presented in the NDUS Annual Financial Report for the fiscal year in which the calculation is being prepared. Each institution should include at least one component unit in the calculation. In the event an institution has no major or non-major discretely presented component units, the institution's largest foundation should be included in the calculation.

### Primary Reserve Ratio Calculation

#### Numerator:

**Institution unrestricted net assets:** Input the campus unrestricted net assets balance reported in the Net Assets section of the Statement of Net Position (SNP).

**Institution expendable restricted net assets:** Input the campus total expendable restricted net assets reported in the Net Assets section of the SNP. This includes the following categories reported in the SNP: Scholarships and Fellowships, Research, Institutional, Loans, Capital Projects, Debt Service and Other.

**C.U. unrestricted net assets:** Input the component unit unrestricted net assets balance reported in the balance sheet of the C.U. audited financial statements and

footnotes. This amount can also be obtained from the net assets section of the C.U. SNP in the NDUS Annual Financial Report.

**C.U. temporary restricted net assets:** Input the component unit temporary restricted net assets balance reported in the balance sheet of the C.U. audited financial statements and footnotes. This amount can also be obtained from the net assets section of the C.U. SNP in the NDUS Annual Financial Report.

**C.U. net investment in plant:** If the amount is not separately disclosed in the net assets section of the C.U. balance sheet, input the C.U. property, plant and equipment balance, net of accumulated depreciation and capital related debt reported in the C.U. audited financial statements and footnotes.

If it is separately disclosed in the net assets section of the C.U. balance sheet and is not included in the unrestricted and temporary restricted net assets amounts above, do not enter an amount in this cell.

**Denominator:**

**Institution operating expenses:** Input the amount reported for total operating expenses in the Statement of Revenues, Expenses and Net Position (SRECNP).

**Institution non-operating expenses line items from the SRECNP:**

Include the following items:

1. Interest on capital asset-related debt reported on the SRECNP.
2. Losses on disposal of capital assets from account 481005. Do not include gains on disposal of capital assets in account 481005.
3. Other non-operating revenues (expense) line item reported in the SRECNP. Include if the net amount of this line item is an expense.

**C.U. total expenses:** Input amount in the total expense line in the C.U. SRECNP of the NDUS Annual Report or from the Statement of Activities in the C.U. audited financial statements.

**Net Operating Revenue Ratio Calculation**

**Numerator:**

**Institution operating income (loss):** Input the amount reported on the Operating Income (Loss) line in the SRECNP.

**Institution net non-operating revenues:** Input the amount reported on the net non-operating revenue (expense) line in the SRECNP. Exclude the following accounts:

- 442020 – Gain on Sale of Investments
- 442025 – Unrealized G/L on Investments
- 442045 – Loss on Sale of Investments

**C.U. change in unrestricted net assets:** This amount is obtained from the C.U. audited financial statements in the Statement of Activities or in the footnotes. The

financial statements or footnotes will disclose separate columns for the change in unrestricted, temporarily restricted and permanently restricted net assets. Input the change in the unrestricted net assets column only.

**Denominator:**

**Institution operating revenues:** Input the amount reported on the total operating revenues line in the SRECNP.

**Institution non-operating revenues:** Include the following line items in the SRECNP:

1. State appropriations
2. Local appropriations
3. Federal appropriations
4. Federal grants and contracts
5. Gifts
6. Tax Revenue
7. Endowment investment income. Exclude the following accounts from this line item:
  - a. 442020 – Gain on Sale of Investments
  - b. 442025 – Unrealized G/L on Investments
  - c. 442045 – Loss on Sale of Investments
8. Gain on disposal of capital assets. Exclude losses recorded 481005-Gain (loss) on Disposal of Capital Assets.
9. Insurance proceeds  
Other non-operating revenues (expense). Other non-operating revenues (expense) line item reported in the SRECNP. Include if the net amount of this line item is revenue.

Exclude state appropriations for capital assets, inter-institution transfers and capital grants and gifts from the numerator and denominator because they are not used for operating purposes.

**C.U. total unrestricted revenues:** This amount is obtained from the C.U. audited financial statements in the Statement of Activities or in the footnotes. The financial statements or footnotes will disclose separate columns for unrestricted, temporarily restricted and permanently restricted revenue. Input the revenue reported in the unrestricted column only.

**Return on Net Assets**

**Change in net assets + C.U. change in net assets:**

1. Institutions: Change in net assets: input the change (increase or decrease) in net assets reported in the SRECNP.

2. C.U.: This amount is obtained from the C.U. audited financial statements in the Statement of Activities or in the footnotes. The financial statements or footnotes will disclose separate columns for the change in unrestricted, temporarily restricted and permanently restricted net assets and total change. Input the change in the total net assets column only. This amount can also be obtained from the C.U. SRECNP in the NDUS Annual Financial Report.

**Total net assets + C.U. total net assets (beginning of year):**

1. Institutions: Report the amount on the line “Beginning Net Position, as restated” in the current year SRECNP.
2. C.U.: This amount is obtained from the “Net Assets, Beginning of Year” line in the Statement of Activities in the C.U. audited financial statements. This amount can also be obtained from the C.U. Statement of Activities in the NDUS Annual Financial Report.

## **Viability Ratio Calculation**

### **Numerator:**

**Expendable net assets:** The numerator is the same as the numerator for the Primary Reserve Ratio.

### **Denominator**

**Institution long-term debt (total project related debt):** Include the current and non-current portion of long-term debt reported in the SNP. Excluding borrowings for liquidity (operating) purposes and compensated absences. Note: borrowings for liquidity purposes rarely, if ever, occur North Dakota’s institutions. However, if a campus incurs debt for this purpose, it should be excluded. C.U. debt that is included in institution long-term debt for financial reporting purposes should also be excluded.

**C.U. long-term debt (total project related debt):** This amount is obtained from the C.U. audited financial statements in the Statement of Activities or in the footnotes. Exclude compensated absences and borrowings for liquidity.

# **Appendix A**

## **NORTH DAKOTA UNIVERSITY SYSTEM**

### **PEOPLE SOFT GENERAL LEDGER**

#### **ACCOUNT DESCRIPTIONS**

# Assets (101001-162102)

Assets are resources owned by the campus. Assets have value because they can be used or exchanged to produce the services or products of the campus. Assets possess service potential or utility to their owner that can be measured and expressed in money terms.

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**Petty Cash- (Acct 101001)-** Used to account for a petty cash fund established for the purpose of disbursing small amounts that are not practical to pay by voucher. The funds are replenished periodically by submitting a voucher. All petty cash funds must be recorded on the general ledger and need prior approval from internal auditing or business office.

**Cash on Hand- (Acct 102001)-** Used to account for cash on hand maintained for the purpose of making change when collecting cash receipts (i.e. till or change funds). No disbursements should be made from cash on hand. All till or change funds must be recorded on the general ledger and have prior approval from internal auditing or business office.

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**Cash & Cash Equiv-Non BND Curr- (Acct 103000)-** Used for account roll-up purposes only, not actual accounting transactions.

**Cash - Non BND- (Acct 103251)-** Represents cash deposited in a bank account or with a trustee outside the Bank of ND to which receipts, disbursements or transfers are recorded – checking account. Quasi-endowments recorded in 103251 thru 105501.

**Cash-Savings/Money Mark-NonBND- (Acct 103501)-** Represents the market value of any money market or passbook savings accounts invested outside of the Bank of North Dakota. Quasi-endowments recorded in 103251 thru 105501.

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**Cash & Cash Equiv-BND Current- (Acct 105000)-** Used for account roll-up purposes only, not actual accounting transactions.

**Cash - in BND - (Acct 105251)-** Main cash account. Represents cash deposited in a Bank of North Dakota bank account, or trustee account, to which receipts, disbursements, transfers, etc. are recorded – checking account. Quasi-endowments recorded in 103251 thru 105501. Use for journal entry and import transactions.

**Cash-Savings/Money Market BND- (Acct 105501)-** Represents the market value of any money market or passbook savings account invested at the Bank of North Dakota. Quasi-endowments recorded in 103251 thru 105501.

**Deposits/Cash-BND- (Acct 107000)-** Used for account roll-up purposes only, not actual accounting transactions.

**Cash - In BND- (Acct 107101)-** Deposits. Used to record cash deposited in an escrow fund or with a trustee. May also be used to record cash deposits from students or others that are deposited in a Bank of ND checking account.

**Cash-Savings/Money Market BND- (Acct 107201)-** Deposits. Used to record cash deposited in an escrow fund or with a trustee. May also be used to record cash deposits from students or others that are invested in a money market or passbook savings account at the Bank of ND.

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**Deposits/Cash-NonBND- (Acct 108000)-** Used for account roll-up purposes only, not actual accounting transactions.

**Cash - Non BND- (Acct 108100)-** Deposits. Used to record cash deposited in an escrow fund or with a trustee. May also be used to record cash deposits from students or others that are deposited in a checking account outside the Bank of ND.

**Cash-Savings/Money Mark-NonBND- (Acct 108200)-** Deposits. Used to record cash deposited in an escrow fund or with a trustee. May also be used to record cash deposits from students or others that are invested in a money market or passbook savings account outside the Bank of ND.

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**Cash-Restricted Noncurr-BND- (Acct 109000)-** Used for account roll-up purposes only, not actual accounting transactions.

**Cash - In BND- (Acct 109100) –** Restricted. Used for financial statement entries. To reclassify restricted cash from Acct 105251 that are the following: unspent bond proceeds and accrued principal and interest in bond payment funds.

**Cash-Savings/Money Market BND- (Acct 109200) –** Restricted. Used for financial statement entries. To reclassify restricted cash from 105501 that are the following: unspent bond proceeds and accrued principal and interest in bond payment funds.

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**Cash-Restrict Noncurr-Non BND- (Acct 110000)-** Used for account roll-up purposes only, not actual accounting transactions.

**Cash - Non BND- (Acct 110101) –** Restricted. Used for financial statement entries. To reclassify restricted cash from 103251 that are the following: unspent bond proceeds and accrued principal and interest in bond payment funds.

**Cash-Savings/Money Mark-Non BND- (Acct 110201)**- Restricted. Used for financial statement entries. To reclassify restricted cash from 103501 that are the following: unspent bond proceeds and accrued principal and interest in bond payment funds.

**Cash - Endowment-BND- (Acct 111000)** - Used for account roll-up purposes only, not actual accounting transactions.

**Cash - In BND- (Acct 111100)**- Endowment. May be used to record cash in pure endowment funds with separate bank accounts. Or used for financial statement entries to reclassify balances from Acct 105251 in pure endowment funds. Quasi-endowments use 103251 thru 105501.

**Cash-Savings/Money Market BND- (Acct 111200)**- Endowment. May be used to record cash in pure endowment funds with separate bank accounts. Or used for financial statement entries to reclassify balances from Acct 105501 in pure endowment funds. Quasi-endowments use 103251 thru 105501.

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**Cash - Endowment-Non BND- (Acct 112000)**- Used for account roll-up purposes only, not actual accounting transactions.

**Cash - Non BND- (Acct 112101)**- Endowment. May be used to record cash in pure endowment funds with separate bank accounts. Or used for financial statement entries to reclassify balances from Acct 103251 in pure endowment funds. Quasi-endowments use 103251 thru 105501.

**Cash-Savings/Money Mark-Non BND- (Acct 112201)**- Endowment. May be used to record cash in pure endowment funds with separate bank accounts. Or used for financial statement entries to reclassify balances form Acct 103501 in pure endowment funds. Quasi-endowments use 103251 thru 105501.

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**Investments Non BND Current - (Acct 113000)** - Used for account roll-up purposes only, not actual accounting transactions.

**Investments - CD's Non BND- (Acct 113021)** - Includes certificates of deposit with original terms greater than three months invested outside the Bank of ND.

**Investments - Pooled Non BND- (Acct 113041)** - Includes market value of treasury notes/bills, stocks, bonds and investment accounts invested outside the Bank of ND that represent the pooling of investments .

**Investments - Other Non BND- (Acct 113061)** - Includes market value of treasury notes/bills, stocks, bonds and investment accounts with brokers, invested outside the Bank of ND that are specifically identifiable to a fund.

**Investments-BND Current- (Acct 115000)** - Used for account roll-up purposes only, not actual accounting transactions.

**Investments - CD's In BND- (Acct 115021)** - Includes certificates of deposit with original terms greater than three months invested in the Bank of ND that are specifically identifiable to a fund.

**Investments - Pooled In BND- (Acct 115041)** - Includes certificates of deposit with original terms greater than three months invested in the Bank of ND that represent the pooling of investments from several funds.

**Investments - Other In BND- (Acct 115061)** - Not used.

**Investments Restr Noncurr-BND- (Acct 117000)** - Used for account roll-up purposes only, not actual accounting transactions.

**Investments - CD's In BND- (Acct 117051)** - Restricted; Used for investments in bond reserve funds or to reclassify for financial statement purposes, the restricted investments from acct 115021 & 115041 that are the following: unspent bond proceeds and accrued principal and interest in bond reserve funds.

**Investments - Pooled In BND- (Acct 117101)** - Restricted. Not used.

**Investments - Other In BND- (Acct 117151)** - Restricted. Not used.

**Invest Restr Noncu-Non BND- (Acct 118000)** - Used for account roll-up purposes only, not actual accounting transactions.

**Investments - CD's Non BND- (Acct 118050)** - Restricted. Used for financial statement entries. To reclassify restricted investments from acct 113021 that are unspent bond proceeds and accrued principal and interest in bond payment funds.

**Investments - Pooled Non BND- (Acct 118100)** - Restricted. Used for financial statement entries. To reclassify restricted investments from acct 113041 & 113061 that are unspent bond proceeds and accrued principal and interest in bond payment funds.

**Investments - Other Non BND- (Acct 118150)** - Restricted. Not used.

**Investments-Endow Non current BND- (Acct 119000)** - Used for account roll-up purposes only, not actual accounting transactions.

**Investments - CD's In BND- (Acct 119051)** – Endowment; may be used to record CDs in pure endowment funds or used for financial statement entries to reclassify balances from Acct 115021 & 115041 in pure endowment funds.

**Investments - Pooled In BND- (Acct 119101)** - Endowment. Not used. May be used to record investments in pure endowment funds or used for financial statement entries to reclassify balances from Account 115041 in pure endowment funds.

**Investments - Other In BND- (Acct 119151)** - Endowment. Not used.

**Invest-Endow Noncurr Non BND- (Acct 120000)** - Used for account roll-up purposes only, not actual accounting transactions.

**Investments - CD's Non BND- (Acct 120051)** – Endowment; may be used to record CDs in pure endowment funds or used for financial statement entries to reclassify balances from Acct 113021 in pure endowment funds.

**Investments - Pooled Non BND- (Acct 120101)** - Endowment; may be used to record investments in pure endowment funds or used for financial statement entries to reclassify balances from Acct 113041 & 113061 in pure endowment funds.

**Investments - Other Non BND- (Acct 120151)**- Endowment. Not used.

**Investments-Other Non current-BND- (Acct 121000)** - Used for account roll-up purposes only, not actual accounting transactions.

**Investments - CD's In BND- (Acct 121051)** - Non current; used for financial statement entries; to reclassify unrestricted balances from Acct 115021 & 115041 with maturities > 1 year.

**Investments - Pooled In BND- (Acct 121101)** - Non current. Not used.

**Investments - Other In BND- (Acct 121151)** - Non current. Not used.

**Investments - CD's Non BND- (Acct 121201)** - Used for financial statement entries; to reclassify unrestricted balances from Acct 113021 with maturities > 1 year.

**Investments - Pooled Non BND- (Acct 121251)** - Used for financial statement entries; to reclassify unrestricted balances from Acct 113041 & 113061 with maturities of > 1 year.

**Investments - Other Non BND- (Acct 121301)** - Used to record other investments, such as stock.

**Investment-Land Held by Inst – (Account 122801)** – Used to record investment land held by institutions.

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**Lease Receivable Current – (Account 123001)** - Used to record current portion (12 months or less) at year-end of lease receivable that meet the criteria of GASB 87.

**Lease Receivable NonCurrent – (Account 123002)** – Used to record the non-current portion (greater than 12 months) of long-term leases receivables that meet the criteria of GASB 87.

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**Accounts Receivable – Current- (Acct 124001)**- Account used by journal generation process from student finance module.

**Salary Advance Receivable- (Acct 124002)-** Used to account for the 12-month payroll advance approved by the State Board of higher Education for fiscal 2005.

**AR-NonStudent Non G/C- (Acct 124003)-** To record manual accounts receivable.

**Accounts Receivable-Patient- (Acct 124004)-** Used by UND CFMs to record patient receivables.

**Employee Payroll Receivable – (Account 124005) –** used to record employee payroll receivables.

**Employee Travel Advances – (Acct 124006)-** Employee cash advances **processed through the PeopleSoft T&E module**. It does **NOT** include cash advances made outside of this module, such as advance for athletic teams and other student group travel.

**Accounts Receivable-NonCurrent- (Acct 124101)-** Used for financial statement entries. To reclassify balances from Acct 124001 to be collected beyond the next 12 months.

**Accounts Receivable-Allowances – (Acct 124201) –** Contra-asset account used to record the estimated uncollectible accounts receivable.

**AR-NonStudent Non G/C Allow (Acct 124203) –** Contra-asset account used to record estimated uncollectible non-student and/or non-grants and contracts related accounts receivable.

**Accounts Rec Patient Allowance (Acct 124204) –** Contra-asset account used to record estimated uncollectible patient accounts.

**Notes Receivable – Current- (Acct 125002) –** Amounts due to the campus from 3<sup>rd</sup> parties that are evidenced by an agreement.

**Notes Receivable – Non Current- (Acct 125102)-** **Used for financial statement entries. To reclassify balances from Acct 125002** expected to be collected beyond the next 12 months.

**Notes Receivable – Allowances – (Acct 125202 )-** Contra-asset account used to record the estimated uncollectible current notes receivable.

**Notes Rec–Allow NonCur- (Acct 125302) –** Contra-asset account used to record the estimated uncollectible noncurrent notes receivable.

**Loans receivable – Current- (Acct 126002) –** Loan funds. Amounts due from students to the campus and evidenced by a loan agreement (i.e. Perkins loans).

**Loans receivable – Non Current- (Acct 126102)- Used for financial statement entries. To reclassify balances from Acct 126002** expected to be collected beyond the next 12 months.

**Loans receivable – Allowances- (Acct 126202)-** Contra-asset account used to record the estimated uncollectible Loans Receivable.

**Loans Rec-Allow NonCur- (Acct 126302) –** Contra-asset account used to record the estimated uncollectible noncurrent loans receivable.

**Interest Receivable -Current- (Acct 127002) –** Used to accrue investment income from..... the date of the last credit of interest to the fiscal year-end. Interest expected to be collected in the next 12 months.

**Interest Receivable-Non Current – (Acct 127102)-**Interest expected to be collected beyond the next 12 months.

**Interest Receivable-Allowances – (Acct 127202) –** Contra-asset account used to record the estimated uncollectible interest receivable.

**Grant & Contract Rec – Current- (Acct 128002)-** Represents amounts receivable due to campus grant or contract expenditures waiting to be reimbursed by a federal, state, or private agency.

**AR Maintenance Control (Acct 128050) –** A holding account available to be used by NDSU, MiSU, and UND sponsored agreement offices for specific AR transactions on sponsored agreements.

**AR Refund Control (Acct 128055) –** A holding account available to be used by NDSU, MiSU, and UND sponsored agreement offices for specific AR refund transactions on sponsored agreements.

**AR Cash Control (Acct 128060) –** A holding account available to be used by NDSU, MiSU, and UND sponsored agreement offices for specific receipts on sponsored agreements.

**Grant & Contract Rec-NonCurr- (Acct 128102) – Used for financial statement entries. To reclassify balances from Acct 128002** expected to be collected beyond the next 12 months.

**Grant & Contract Receivable-Allowance – (Acct 128202) –** Contra-asset account used to record the estimated uncollectible grants receivable.

**Accounts Receivable-notinvoice- (Acct 129002)- Do Not Use.** For the grants and contracts AR and BI modules only.

**Due from Other Funds- Current – (Acct 131001)** – Used for making temporary transfers of cash between funds. Entries with this account should be offset with account 211001-Due to other funds. Accounts expected to be collected in the next 12 months.

**Due from Other Funds-Non Current – (Acct 131051)** – Used for financial statement entries. To reclassify balances from Acct 131001 expected to be collected beyond the next 12 months.

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**Appropriation Receivable State – Cur- (Acct 133001)** – Represents the amount of state appropriation expenditures in excess of previous drawdowns from the state general fund.

**Appropriation Receivable Other – Cur- (Acct 133101)** – Represents the amount of federal appropriation expenditures in excess of previous drawdowns.

**Due from Component Units-Current- (Acct 134001)** – Used for financial statement entries. To reclassify balances from Acct 124001 for amounts due from component units – to be collected within the next 12 months.

**Investments Held by Fndn-Current – (Acct 134005)** – Used for financial statement entries. To reclassify institution investments held by a foundation on behalf of the institution from the investment accounts.

**Due from Component Units-NonCurr- (Acct 134101)** – Used for financial statement entries. To reclassify balances from Acct 124001 for amounts due from component units – to be collected beyond the next 12 months.

**Investments Held by Fndn-NC – (Acct 134105)** – Used for financial statement entries. To reclassify institution investments held by a foundation on behalf of the institution from the investment accounts.

**Due from Other State Agencies- (Acct 137001)** – Used for financial statement entries. To reclassify balances from Acct 124001 & 128002 for amounts due from state agencies.

**Due from Other NDUS Institutions (Acct 137005)** – Used for financial statement entries. Used reclassify receivable balances for amounts due from other NDUS institutions at year end.

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**Inventory – Supplies- (Acct 141001)** – represents goods held for resale by auxiliary enterprises and goods held for general distribution by central storerooms and recharge centers.

**Prepaid Expenses – (Acct 142002)** – established to account for prepaid amounts for items such as insurance or supplies that are to be consumed in subsequent fiscal periods. Deferred

charges include long-term charges that will be converted to expense over several fiscal periods such as development costs, leasehold premiums, or long-term contract costs.

**Deposits- (Acct 143002)-** Do not use.

**Bond Discounts – Current (Account 144001)** – used to record current portion of unamortized bond discounts. **Note:** an entry should be made at year-end to reclass current portion from account 144002 to 144001.

**Bond Discounts-Non-Current (Account 144002)** – used to record non-current portion of unamortized bond discounts. **Note:** an entry should be made at year-end to reclass current portion from account 144002 to 144001.

**Cert of Part Discounts – Curr (Account 144003)** – used to record current portion of unamortized Certificate of Participation (COP) discounts. **Note:** an entry should be made at year-end to reclass current portion from account 144004 to 144003.

**Cert of Part Discounts – NC (Account 144004)** – used to record non-current portion of unamortized Certificate of Participation (COP) discounts. **Note:** an entry should be made at year-end to reclass current portion from account 144004 to 144003.

**Other Assets – Current- (Acct 161002)** – used only for items of value that don't fit into any of the other asset categories.

**Other Assets – Non Current – (Acct 161102)** – Account is used during the year or at year-end to record unrestricted assets that will be converted to cash beyond 12 months.

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**Other Restricted Assets – Curr- (Acct 162002)** – used for restricted items of value that don't fit into any of the other asset categories.

**Other Restricted Assets – Non Curr- (Acct 162102)** - Account is used during the year or at year-end to record restricted assets that will be converted to cash beyond 12 months.

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**Investment in Plant Accounts- Used for financial statement entries.** Entries are journal generated from the asset management module to record changes to capital assets. These accounts are used in the Investment in Plant funds (fund range 00001-00100).

- **Land (Acct 151002)-** Purchased land should be recorded at the purchase price plus all ancillary charges such as broker and legal fees. Land acquired by gift should be recorded at fair market value at the date of the gift.
- **Infrastructure/Land Improve – (Acct 151027)** – Includes parking lots, fencing, gates, athletic fields, streets, lighting, roads, bridges, tunnels, sidewalks, curbs, utility distribution systems and storm sewers. Record only those assets to which the institution has title.

- **Buildings & Leaseholds- (Acct 151052)**- All direct costs of construction, including permanently attached fixtures, machinery and other components that cannot be removed without damaging the building.
- **Building Improvements- (Acct 151077)** – Costs in excess of \$10,000 that increase the buildings usefulness, efficiency or asset life.
- **Machinery and Equipment- (Acct 151102)** – Personal property that is moveable, which costs in excess of \$5,000. Include purchase price plus freight and installation costs. Equipment acquired by gift should be recorded at fair market value at time of donation.
- **Library Books- (Acct 151127)** – Purchased books should be recorded at purchase price plus transportation and incidental costs. Books acquired by gift should be recorded at fair market value at time of gift.
- **Construction in process- (Acct 151152)**- Capitalizable costs to date of construction that is not completed as of fiscal year-end.
- **SBITA Development in Process (Acct 151158)** – Used to record Software Based Information Technology Arrangements (SBITAs) development in process in accordance with GASB 96.
- **Intangible assets- (Acct 151177)**- Assets, other than SBITAs) that provide benefit through the special rights and privileges of their ownership as opposed to the physical characteristics. Examples are: patents, copyrights, leases, and licenses.
- **SBITA Intangible – (Acct 151178)** – Used to record SBITA intangible assets in accordance with GASB 96.
- **Lease Intangible – (Acct 151179)** – **UND USE ONLY** – used to record lease intangible assets in accordance with GASB 87.
- **Asset Grt Deferrals- (Acct 151999)**- **DO NOT USE**. This account is used behind the scenes in the asset management module.

**Accumulated Depreciation- Used for financial statement entries. To record current year depreciation and to remove accumulated depreciation on assets retirements.**

- **Infrastructure Acc Dep- (Acct 152027)**
- **Buildings Acc Dep- (Acct 152052)**
- **Building Improvements Acc Dep- (Acct 152077)**
- **Machinery & Equipment Acc Dep- (Acct 152102)**
- **Library Books Acc Dep- (Acct 152127)**
- **Intangibles – Acc Amortization (Acct 152177)**
- **SBITA Accumulated Amortization (Acct 152178)**

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**Other Assets – Current- (Acct 161002)** – used only for items of value that don't fit into any of the other asset categories.

**Other Assets – Non Current- (Acct 161102)** – Account is used during the year or at year-end to record unrestricted assets that will be converted to cash beyond 12 months.

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**Other Restricted Assets – Curr- (Acct 162002)** – Used for restricted items of value that don't fit into any of the other asset categories.

**Other Restricted Assets – Non Curr- (Acct 162102)** - Account is used during the year or at year-end to record restricted assets that will be converted to cash beyond 12 months.

**Deferred outflows of resources (Acct 171005)** – to be used to account for transactions identified in GASB 53, 60, 63 and 65 that do not qualify for treatment as assets. Those transactions are:

- Service Concession Arrangements.
- Grant expenditures paid in advance of meeting timing requirements. This does **not** include those amounts paid in advance of eligibility requirements.
- Deferred amounts from refunding of debt (debit amounts).
- Cost to acquire rights to future revenues.
- Deferred loss from sale and leaseback.
- Negative fair value of government hedge of a future transaction.
- Actuarially determined portion of pension expense.
- Employer contributions to the pension plan subsequent to the measurement date of the net pension liability.

## **Liabilities (201001-234102)**

Liabilities are debts owed by the Campus. Typically, debts must be paid by certain dates. Many liabilities are incurred by purchasing an item on credit. Other liabilities are assumed through the acquisition of assets or through the payroll process.

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### **Accounts/Vouchers Payable- (Acct 201001) –**

Vouchers created in the accounts payable module are typically posted to the general ledger with a debit to an expense account and a credit to accounts/vouchers payable. The credit to accounts/vouchers payable remains until the vouchers is paid. When paid, an entry debiting accounts/vouchers payable and a credit to cash is posted to the general ledger. At fiscal year -end, vouchers may be entered into the system and given an invoice and accounting date of the month prior to the payment date. The system will create a June 30<sup>th</sup> accounts/voucher payable entry with a date of 6-30-xx until the voucher is paid. The payable will be extinguished on the date the payment is made.

**SUA Payable- (Acct 201050)** – used to track and reconcile outstanding single use account (SUA) payments not yet processed by the supplier. Entries to this account are system-generated.

**Vcard Payable – (Acct 201055)** – used to track and reconcile outstanding Vcard payments not yet processed by the supplies. Entries to this account are system-generated.

**Sales Tax Payable- (Acct 201101)** – used for recording liability for sales tax collected but not remitted to the state tax commissioner.

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**Interest Payable – Current- (Acct 203001)** – used to accrue interest on bonds payable from the last payment date through fiscal year-end. This is generally recorded in the retirement of indebtedness fund where the interest is paid (00500-00999).

**Interest Payable – NonCurrent- (Acct 203101)**- interest payable beyond 12 months.

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**Special Assessments Pybl-Curr- (Acct 205001)** – used to record liability for Special Assessments payable to the County Treasurer for land and infrastructure improvements. These entries are recorded in the Investment in Plant funds (fund range 00010-00100).

**Special Assessments Pybl-NonCu- (Acct 205101)** – Used for financial statement entries. To reclassify the portion of Acct 205001 that is due beyond 12 months.

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**Contracts Payable- Construction- (Acct 208001)** – May be used to record payables to contractors (other than retainages) for work done through fiscal year-end.

**Contracts Payable- Retainages- (Acct 208101)** – used to record cumulative amount retained on payments to contractors on capital improvement projects. This amount is remitted to the contractors upon final inspection and acceptance.

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**Due to Other Funds – Current – (Acct 211001)** – for making temporary transfers of cash between funds. Entries with this account should be offset with account 131001- Due from other funds. Accounts expected to be collected in the next 12 months.

**Due to Other Funds-Non Current- (Acct 211101)**- Used for financial statement entries. To reclassify balances from Acct 211001 expected to be collected beyond the next 12 months.

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**Accounts Payable to CU – Current – (Acct 213001)** – Used for financial statement entries. To reclassify balances from Acct 201001 for amounts due to component units – to be collected within the next 12 months.

**Accounts Payable to CU – NonCurr- (Acct 213101)** – Used for financial statement entries. To reclassify balances from Acct 201001 for amounts due to component units – to be collected beyond the next 12 months.

**Due to Other State Agencies- (Acct 217001)** – Used for financial statement entries. To reclassify balances from Acct 201001 for amounts due to state agencies.

**Due to Other NDUS Institutions (Acct 217005)** – Used for financial statement entries. To reclassify payables due from other NDUS institutions at year end.

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**Accrued Salaries Payable – (Acct 223001)** – Entries journal generated from payroll module. Use for obligations of the campus for salaries and wages at fiscal year-end. The payroll system records salaries payable each year at June 30 for accrued salary expenditures – generally, hours worked through June 30 that are paid in July.

**Faculty- 9mo Pd over 12 Liab – (Acct 223002)** – Used for the liability for faculty members on 9-month appointments that want to be paid over 12 months.

**Payroll Withholdings – (Acct 223026)** – Used for recording all amounts withheld from employee’s salaries for which the campus has an obligation to remit to an outside agent (flex, AFLAC, employer FICA, fed/state taxes, NDPERS, TIAA).

**Health Insurance Payable – (Acct 223051)** – Used for recording the appropriate amount of employee health insurance premium payable for each fund.

**Accrued Fringes Payable – (Acct 223076)** – Used for recording matching employer fringe benefits, other than health insurance, payable from each fund (TIAA disability, UC, employer FICA).

**Retirement/Tenure Payable – (Acct 223101)** – Used to record the amounts payable to employees under an early retirement or tenure buyout agreement.

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**Deposits – (Acct 224002)** – Used to record liability for amounts placed on deposit for items such as: room deposits, key deposits, flight deposits or laboratory breakage fees. These amounts may be returned to the depositor or utilized by the campus to cover expenses incurred in relation to the purpose of the deposit.

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**Unearned Revenues – (Acct 225002)** – Used for Financial Statement Entries. Assets received (usually cash) that have not yet been recognized as revenue.

- **Unearned Revenues-SponAgrmts (Acct 225003)**- used primarily in the grant/contract funds
- **Unearned Revenues – SF- Summe – (Acct 225005)**- not used.

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**Bonds Payable- Current- (Acct 230002)** – Used to record the current portion (12 months or less) of the liability at year-end for indebtedness represented by a bond indenture. Generally, bonds payable are recorded in the Investment in Plant funds (00001-00100) as they were incurred to acquire capital assets.

**Bonds Payable to CU – Current – (Acct 230003)** – Used to record the current portion (12 months or less) of bond liability at year-end to a discretely presented component units for indebtedness represented by a bond indenture. Generally, bonds payable are recorded in the Investment in Plant funds (00001-00100) as they were incurred to acquire capital assets.

**Bonds Payable- NonCurrent – (Acct 230102)** – Used to record the non-current portion (greater than 12 months) of the liability for indebtedness represented by a bond indenture. Generally, bonds payable are recorded in the Investment in Plant funds (00001-00100) as they were incurred to acquire capital assets. Used during the year or at year-end to record bonds payable that are due beyond 12 months.

**Bonds Payable to CU- NonCurrent- (Acct 230103)** – Used to record the non-current portion (greater than 12 months) of bond liability to a discretely presented component units for indebtedness represented by a bond indenture. Generally, bonds payable are recorded in the Investment in Plant funds (00001-00100) as they were incurred to acquire capital assets. Used during the year or at year-end to record bonds payable to a discretely presented component units that are due beyond 12 months.

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**Cert of Participation – Curr (Acct 230004)** – Used during the year or at year-end to record the current portion (12 months or less) of certificates of participation.

**Cert of Participation – (Acct 230104)** – Used during the year or at year-end to record the non-current (greater than 12 months) portion of certificates of participation.

**Notes Payable – Current – (Acct 231002)** – Used to record the current portion (12 months or less) of the liability at year-end for indebtedness represented by a long-term note agreement. Short-term agreements are recorded as accounts payable.

Account is also used to record the current portion of a lease agreement that transfers ownership of the asset to the campus and does not contain a purchase option.

**Notes Pay to CU-Current – (Acct 231003)** – Used to record the current portion (12 months or less) of the liability at year-end for indebtedness to a discretely presented component unit represented by a note agreement. Short-term agreements are recorded as accounts payable.

Account is also used to record the current portion of a lease agreement that transfers ownership of the asset to the campus and does not contain a purchase option.

**Notes Payable – NonCurrent- (Acct 231102)** – Used to record the non-current portion (greater than 12 months) of the liability during the year or at year-end to record for indebtedness represented by a long-term note agreement.

Account is also used to record the non-current portion of a lease agreement that transfers ownership of the asset to the campus and does not contain a purchase option.

**Notes Pay to CU – NonCurrent – (Acct 231103)** – Used to record the non-current portion (greater than 12 months) of the liability to a discretely presented component unit during the year or at year-end to record for indebtedness represented by a long-term note agreement.

Account is also used to record the non-current portion of a lease agreement to a discretely presented component unit that transfers ownership of the asset to the campus and does not contain a purchase option.

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**Leases Payable Current – (Acct 232002)** - Used to record the current portion (12 months or less) of the liability for lease agreements that meet the criteria of GASB 87. These liabilities are recorded in the Investment in Plant funds (fund range 00500-00999).

**Lease Payable to CU Current - (Acct 232003)** - Used to record the current portion (12 months or less) of the liability to a discretely presented component unit for lease agreements that meet the criteria of GASB 87. These liabilities are recorded in the Investment in Plant funds (fund range 00500-00999).

**Leases Payable NonCurrent - (Acct 232102)** - Used to record the non-current portion (greater than 12 months) of long-term leases payable that meet the criteria of GASB 87.

**Lease Payable to CU NonCurrent - (Acct 232103)** - Used to record the non-current portion (greater than 12 months) of long-term leases payable to discretely present component units that meet the criteria of GASB 87.

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**SBITA Liab-Current – (Acct 232004)** – Used to record the current portion (12 months or less) of SBITA liabilities that meet the criteria of GASB 96.

**SBITA Liab-NonCurrent – (Acct 232104)** – Used to record the non-current portion (12 months or less) of SBITA liabilities that meet the criteria of GASB 96.

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**Compensated Absences - Current - (Acct 233002)** - Used for financial statement entries. To record the fiscal year-end annual and sick leave liability for all employees.

**Compensated Absences-NonCurr- (Acct 233102)** - Used during the year or at year-end to record compensated absences payable that are due beyond 12 months.

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**Other Liabilities-Current - (Acct 234002)** - Used to record payments to others that don't fit into any of the other liabilities categories.

**Unamortized Bond Premium-Current (Acct 234005)** - Used to record the current portion of liability when bonds are issued at a premium. **Note:** an entry should be made at year-end to reclass current portion from account 234105 to 234005.

**Bnds Pay to CU Unamor Prem-Cur (Acct 234007)** – Used to record the current portion of liability for bonds to component units that are issued at a premium. **Note:** an entry should be made at year-end to reclass current portion from account 234107 to 234007.

**COP Unamort Premium - Curr (Acct 234006)** - Used to record the current portion of liability when Certificates of Participation (COP) are issued at a premium. **Note:** an entry should be made at year-end to reclass current portion from account 234105 to 234005.

**Other Liabilities-Non Current (Acct 234102)** – Used to record the non-current portion of payments that don't fit into any of the other non-current liability categories.

**Unamortized Bond Prem-Non-Curr - (Acct 234105)**- Used to record the non-current portion of liability when bonds are issued at a premium. **Note:** an entry should be made at year-end to reclass current portion from account 234105 to 234005.

**Bnds Pay to CU Unamor Prem – NC – (Acct 234107)** - Used to record the non-current portion of liability for bonds to component units that are issued at a premium. **Note:** an entry should be made at year-end to reclass current portion from account 234107 to 234007.

**COP Unamort Premium - NC (Acct 234106)** - Used to record the current portion of liability when Certificates of Participation (COP) are issued at a premium. **Note:** an entry should be done at year-end to reclass current portion from account 234106 to 234006.

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**Advances from BND- (Acct 234202)**- Used during the year or at year end to record advances from the Bank of North Dakota.

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**Pension Liab – Noncurrent (Acct 234205)** – Used to record the actuarially determined pension liability. Amounts are provided by NDPERS to the NDUS System Office, who, in turn, will forward to the institutions.

**OPEB Liability – (Acct 234206)** - Used to record the actuarially determined OPEB liability. Amounts are provided by NDPERS to the NDUS System Office, who, in turn, will forward to the institutions.

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**Deferred inflows of resources - (Acct 235005)- Deferred inflows of resources (Acct 235005** – to be used to account for transactions identified in GASB 53, 60, 63 and 65 that do not qualify for treatment as liabilities. Those transactions are:

- Grant amounts received in advance of meeting timing requirements. This does **not** include those amounts received in advance of eligibility requirements.
- Deferred amounts from refunding debt (credit amounts).
- Proceeds from sale of future revenues.
- Deferred gain from a sale-leaseback transaction.
- Positive fair value of a government hedge of a future transaction.
- Advance of revenue from imposed non-exchange transactions.
- Actuarially determined portion of pension expense.

## **Net Position (310001-330001)**

Residual interest is the assets of an entity that remains after deducting its liabilities. After setting up closing chartfield value sets and the closing process, these accounts will not typically be used except in rare instances by the controller's office. **Contact the NDUS Director of Financial Reporting before making any manual journal entries directly to these accounts.**

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**Invest in Capital Assets- (Acct 310001)** - Used for Investment in Plant funds (00001-00100).

**Restricted various- (Acct 320001)** - Not used.

**Expendable Capital Projects- (Acct 320026)** - Used for financial statement entries. To reclassify unspent bond proceeds yet to be spent on projects from Acct 330001. and for cash appropriated for capital projects to the institutions through the North Dakota Strategic Investment and Improvement Fund (SIIF) .

**Expendable Debt Service- (Acct 320051)** - Used for retirement of indebtedness funds (00500-00999).

**Exp Instructional Depr Uses- (Acct 320076)** - Used as the 'Default' in the chartfield value sets for all restricted funds that don't fall into another net asset account. (40000-49999 and 79000-79999 with fund functions other than 31-33).

**Expendable Research- (Acct 320101)** - Used for funds 40000-49999 with fund functions of 31-33.

**Expendable Loans- (Acct 320126)** - Used for loan funds (60000-69999).

**Expendable Restricted Other- (Acct 320151)** - Used for financial statement entries for component units on PeopleSoft.

**Exp Scholarships & Fellowships- (Acct 320176)** - Used for non-endowed scholarship & fellowship funds (50000-54999).

**Non Exp Scholar & Endowments- (Acct 321001)** - Used for endowed scholarships and endowment funds (55000-59999 and 70000-78999).

**Non Expendable Instruction & Public S- (Acct 321026)** - Used for financial statement entries.

**Unrestricted- (Acct 330001)** - Used for all unrestricted funds (01000-39999).

**Fiduciary net position (Acct 340001)** – Used for the fiduciary net position reported in the Statement of Fiduciary Net Position.

# Revenues (400000-484010)

Revenues are the inflows of assets (such as cash) resulting from the sale of products or the rendering of services to customers.

Departments may choose to use the 'detail' accounts for recording revenues; however, for accounting purposes, only the 'general' account is required to be used.

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**Revenue- (Acct 400000)** - Used for budgeting purposes only, not actual accounting transactions.

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**Licenses, Fees & Permits - (Acct 440000)**- Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for licenses, fees and permits issued by the campus.

Departments may choose to use the 'detail' accounts for recording revenues; however, for accounting purposes, only the 'general' account is required to be used.

- **Other Licenses, Fees & Permits (Acct 440005)** - general account. Used if detail is not needed.
  - **Parking Permits- (Acct 440010)** - detail account
  - **Parking Permits Temporary - (Acct 440015)** - detail account
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**Fines-Forfeitures-Esheat- (Acct 441000)**- Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for fines levied by the campus, forfeitures of deposits, and escheat of funds to the campus. Departments may choose to use the 'detail' accounts for recording revenues; however, for accounting purposes, only the 'general' account is required to be used.

- **Fines (Acct 441015)** - general account. Use if detail is not needed.
  - **Library Fines - (Acct 441020)** - detail account.
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**Cash/Investment Earnings- (Acct 442000)**- Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for recording earnings and losses on funds invested by the campus in deposits, investments and loans. Departments may choose to use the 'detail' accounts for recording revenues; however, for accounting purposes, only the 'general' account is required.

- **Investment Income Mgmt Fee (4420005)** – contra revenue account to be used to record investment management fees.
- **Div Income – Non Operating (Acct 442010)** - detail account
- **Endowment Income -Non Operating - (Acct 442015)** - general account for investment earnings on endowment funds.
- **Gain on Sale of Investments - (Acct 442020)** - general account

- **Unrealized G/L on Investments- (Acct 442025)** - to be used to record mark to market adjustments on investments.
- **Interest Income – Loans - (Acct 442030)**- general account for interest earned on Loan Fund loans receivable
- **Interest Income – Non Operating (Acct 442035)** - general account to record earnings on investments other than endowment funds.
- **Loss on Sale of Investment - (Acct 442045)** - general account

**Federal Awards- (Acct 450000)** - Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for recording federal grants & contracts:

- **Federal Capital Pass Thru G&C (Acct 450005)** - used for financial statement entries. To reclassify federal capital pass thru grants & contracts from Acct 450010. May code directly to this account to avoid year-end entry.
- **Federal Grants & Contracts- (Acct 450010)** - general account.
- **Federal PassThruGrants-State - (Acct 450015)** - used to record federal pass through grants received from state agencies. To reclassify federal pass thru grants & contracts from Acct 450010. May code directly to this account to avoid year-end entry.
- **FederalPassThru GrantsNonState – (Account 450016)** – used to record federal pass through grants received from non-state agencies. To reclassify federal pass thru grants & contracts from Acct 450010. May code directly to this account to avoid year-end entry.
- **Federal G&C Non Operating- (Acct 450020)** - used for financial statement entries. To reclassify non-operating federal grants & contracts from Acct 450010 (ex. FEMA). May code directly to this account to avoid year-end entry.
- **Federal Grant/Contract Stimulu (Account 450025)** – used for federal grants and contracts received through federal stimulus programs.

**State Awards- (Acct 451000)** - Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for recording state grants & contracts:

- **State Capital Grants&Contracts (Acct 451005)**- used for financial statement entries. To reclassify state capital grants & contracts from Acct 451010. May code directly to this account to avoid year-end entry.
- **State Grants & Contracts- (Acct 451010)**- general account.

**Private Awards- (Acct 452000)** - Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for recording private grants & contracts:

- **Private Capital G&C (Acct 452005)** - used for financial statement entries. To reclassify private capital grants & contracts from Acct 452010. May code directly to this account to avoid year-end entry.
- **Private Grants & Contracts- (Acct 452010)**- general account.

**Tuition and Fees- (Acct 460000)** - Used for budgeting purposes only, not actual accounting transactions.

- **460001 - Tuition and Fees-** general account. Entries to this account are usually journal generated from the Student Finance module. Detail is available by item type in the SF module. If the application fee is set up through Marketplace and not being recorded on Accounts Receivable, there will also be entries to this account from Marketplace.

Also see 462100 – Non-credit course fees.

**Appropriations- (Acct 461000)** - Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for recording federal, state and local appropriations:

- **461050 - Federal Appropriations**
- **461100 - Federal Capital Appropriations**
- **461150 - Local Appropriations**
- **461200 - Other Appropriations**
- **461250 - State Appropriations**
- **461300 - State Capital Appropriations**

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**Charges for Services/Sales - (Acct 462000)-** Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for recording monies derived from selling **non-auxiliary** goods and services, and other miscellaneous sources of revenue. If auxiliary services use these accounts, they will need to be reclassified to the auxiliary services accounts (47xxxx) at year-end. Most of these accounts are self-explanatory.

- **Advertising- (Acct 462005)-**
- **Books Fees- (Acct 462015)-**
- **Box Office Sales- (Acct 462020)**
- **NCAA Distributions – (Acct 462022)** – used for revenue distributions from the NCAA.
- **Season Ticket Sales – (Acct 462023)**
- **Single Games – (Acct 462024)**
- **Commissions- (Acct 462025)**
- **Clothing Sales –Non-Auxiliary - (Acct 462026)**
- **Athletics Conf Distributions – (Acct 462027)** – used for revenue distributions from the athletic conference affiliations.
- **Athletics Settlement Revenue – (Acct 462028)** – used for funds received from events and/or tournaments held by the Athletics Department in conjunction with another entity in which a net loss or net profit is determined.
- **Conferences and Education- (Acct 462030)** - Used to record fees from conferences and community service/enrichment.
- **Consignment Sales - (Acct 462035)**
- **Contract Service - (Acct 462040)**
- **Dues and Memberships - (Acct 462045)**

- **Events - (Acct 462055)-**
- **Excess Property Sales - (Acct 462060)-** used to record income from the sale of property transferred to Surplus.
- **Fines–Non-Auxiliary (Acct 462065)**
- **Flyer Sales – Non-Auxiliary (Account 462066)**
- **Guarantees- (Acct 462070)**
- **IT Services- (Acct 462075)**
- **IT Supplies (Acct 462080)**
- **Late Charges (Acct 462085) -** must be used to record late charges on loans receivable in the Loan Funds.
- **Microfiche & Microfilm Service (Acct 462090)**
- **Non credit course fees (Acct 462100)**
- **Nursery Stock (Acct 462105)**
- **Other Services (Acct 462110) -** Used for non-auxiliary receipts when other accounts don't apply.
- **Radio/TV (Acct 462120)**
- **Recreation Programs – Non Aux (Acct 462122)**
- **Refunds (Acct 462125)**
- **Registration Fees (Acct 462130) -** Used to record student registration fees.
- **SalesDiscounts&Allow-NonAux (Acct 462135)**
- **Sponsorships (Account 462140)**
- **Subscriptions (Acct 462165)**
- **Utility Charges (Acct 462175)**
- **Camp Fee-Non-Auxiliary (Acct 462180)**
- **Camp Food Sales –NonAuxiliary (Acct 462185)**
- **Cancellation Fee-NonAux (Acct 462190)**
- **Crop Sales (Acct 462200)**
- **Livestock Sales (Acct 462210)**
- **Seed Sales (Acct 462220)**
- **Other Commodity Related Sales (Acct 462230)**
- **Sales Merchandise Taxable (Acct 462235)**
- **Non-Taxable Sales – (Acct 462240)**

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**Auxiliary Services - (Acct 470000)-** Used for budgeting purposes only, not accounting transactions.

Transaction accounts for recording monies derived from the operating of auxiliary goods and services. If these accounts are used in non-auxiliary funds, they will need to be reclassified at year-end. Most of these accounts are self-explanatory.

- **Apartment Guests Rent - (Acct 470005)**
- **Apartment Rent - (Acct 470010)**
- **Apartment Transfer Fee - (Acct 470015)**
- **Art Supply Sales - (Acct 470020)**
- **Banquet Sales - (Acct 470025)**
- **Non-Taxable Banquet Sales- (Acct 470026)**
- **Bike Storage - (Acct 470030)**
- **Board Contracts- (Acct 470035)**

- **Book Sales- (Acct 470040)**
- **Book Sales Taxable- (Acct 470045)**
- **Book Sales Used- (Acct 470050)**
- **Book Rentals – (Acct 470051)**
- **Camp Fee- (Acct 470055)**
- **Camp Food Sales- (Acct 470056)**
- **Cancellation Fee- (Acct 470060)**
- **Candy & Pop Sales- (Acct 470065)**
- **Cap & Gown Sales- (Acct 470070)**
- **Cell Phone Sales- (Acct 470075)**
- **City Tax- (Acct 470080)**
- **Clothing Sales- (Acct 470085)**
- **Community Center Meals- (Acct 470090)**
- **Concession Sales- (Acct 470095)**
- **Copies- (Acct 470100)**
- **Daily Green Fees- (Acct 470105)**
- **Damage Apartment- (Acct 470110)**
- **Damage Camp- (Acct 470115)**
- **Damage Common Apartment- (Acct 470120)**
- **Damage Common Camp- (Acct 470125)**
- **Damage Common Residence Hall- (Acct 470130)**
- **Damage Residence Hall- (Acct 470135)**
- **Fines Auxiliary (Acct 470137)**
- **Parking Permits-Auxiliaries – (Acct 470138)**
- **Daycare Fees1- (Acct 470140)**
- **Daycare Fees2- (Acct 470145)**
- **Daycare Fees3- (Acct 470150)**
- **Daycare Fees4- (Acct 470155)**
- **Daycare Fees5- (Acct 470160)**
- **Daycare Food Program- (Acct 470165)**
- **Daycare Matching Fees- (Acct 470170)**
- **Dry Cleaning- (Acct 470175)**
- **DSL Apartment Charges- (Acct 470180)**
- **Electricity- (Acct 470185)**
- **Flyer Sales- (Acct 470190)**
- **Food Sales- (Acct 470195)**
- **Garage Rent- (Acct 470200)**
- **Gas Income- (Acct 470205)**
- **Gift Certificate Sales- (Acct 470210)**
- **Gift Item Sales- (Acct 470215)**
- **Golf Car Rental- (Acct 470220)**
- **Greeting Card Sales- (Acct 470225)**
- **Guest Housing- (Acct 470230)**
- **Health and Beauty Aid Sales- (Acct 470235)**
- **Improper Checkout Apartment- (Acct 470240)**
- **Improper Checkout Residence- (Acct 470245)**

- **Key Replacement Fee- (Acct 470250)**
- **Loft Rental- (Acct 470255)**
- **Long Distance Sales- (Acct 470260)**
- **Meal Tickets- (Acct 470265)**
- **Monthly Telephone Line Sales- (Acct 470270)**
- **Network Connection Fee- (Acct 470275)**
- **Newspaper Sales- (Acct 470280)**
- **Non Taxable Sales- (Acct 470285)**
- **Other Dorm Violations- (Acct 470290)**
- **Other Services- (Acct 470295)**
- **Other Telephone Service- (Acct 470300)**
- **Passport Point Sales- (Acct 470305)**
- **Payphone Commissions- (Acct 470310)**
- **Pet Violation- (Acct 470315)**
- **Photo- (Acct 470320)**
- **Recreation Programs- (Acct 470325)**
- **Refrigeration Rental- (Acct 470330)**
- **Remote Telephone Sales- (Acct 470335)**
- **Residence Hall Rate Adj- (Acct 470340)**
- **Residence Hall Double/Single- (Acct 470345)**
- **Residence Hall Interim Rev- (Acct 470350)**
- **Residence Hall Overflow- (Acct 470355)**
- **Residence Hall Revenue- (Acct 470360)**
- **Residence Hall Single- (Acct 470365)**
- **Residence Hall Transfer- (Acct 470370)**
- **Resident Forfeit Fee- (Acct 470375)**
- **Restaurant Sales- (Acct 470380)**
- **Sales Discounts & Allowances- (Acct 470385)**
- **Scrap Metal Revenue- (Acct 470390)**
- **Season Tickets- (Acct 470395)**
- **Season Tickets- (Acct 470400)**
- **Sewage/Garbage Charge- (Acct 470405)**
- **Shipping Charges- (Acct 470410)**
- **Snack Bar Sales- (Acct 470420)**
- **Software Sales- (Acct 470425)**
- **Sponsorships- (Acct 470430)**
- **Staff ID Cards- (Acct 470435)**
- **Staff ID Replacements- (Acct 470440)**
- **Staff ID Temporary- (Acct 470445)**
- **Storage Rental- (Acct 470450)**
- **Student Calling Card Sales- (Acct 470455)**
- **Student Calling Card Sales Tax- (Acct 470460)**
- **Student ID Cards- (Acct 470465)**
- **Student ID Replacement- (Acct 470470)**
- **Student ID Temporary- (Acct 470475)**
- **Student Long Dis/Line Sales- (Acct 470480)**

- **Student Tele Reconnect Fee- (Acct 470485)**
- **Student Tele Repair/Serv Order- (Acct 470490)**
- **Supply Sales- (Acct 470495)**
- **Tele Repair/Serv Order Materi- (Acct 470500)**
- **Tele Repair/Serv Orders Labor- (Acct 470505)**
- **Telephone Signing Bonus- (Acct 470510)**
- **Unrelated Business Income- (Acct 470515)**
- **Non-Taxable UBI- (Acct 470516)**
- **Vending Sales- (Acct 470520)**
- **Videos- (Acct 470525)**
- **Water Charge- (Acct 470530)**
- **Guarantees - Auxiliaries- (Acct 470535)**
- **Commissions - Auxiliaries- (Acct 470540)**
- **Lease Rental - Aux Rooms/Bldgs- (Acct 470545)**
- **Lease/Rental Aux Short Term – (Acct 470546)**
- **Lease/Rental Aux Long-Term (Acct 470547)**
- **Cash Long - Auxiliaries- (Acct 470550)** - To record cash long in petty cash or change/till funds in auxiliary funds only. For general cash long for non-auxiliary funds, use account 480005.
- **Advertising - Auxiliaries- (Acct 470555)**
- **Steam Revenue- (Acct 470560)**

**Medical Charges Services/Sales- (Acct 471000)** - Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for recording UND med school sales and services as well as other campus medical services/sales:

- **Other Sales- (Acct 471005)**
- **Out Patient Sales- (Acct 471010)**
- **Out Patient Services- (Acct 471015)**
- **Services- (Acct 471020)**

**Leases, Rents, and Royalties- (Acct 472000)** - Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for recording receipts from lease/rent agreements and royalty rights:

- **Lease/Rental of Equip Short Term- (Acct 472005)**
- **Lease/Rental of Land Short Term - (Acct 472010)**
- **Lease/Rental of RoomBldgShort-Term- (Acct 472015)**
- **Lease Long-Term GASB 87 (Acct – 472020)**
- **Lease/Rental Long Term (Acct – 472025)**
- **Royalties- (Acct 472040)**

**Off-Site Medical Fees & Services – (Account 473000-474000)** – used for budgeting purposes only, not actual accounting transactions.

Transaction accounts are:

- **GME Off-Site Hospital/Clinic- (Acct 473005)**

- **On-Site Clinical Services – (Acct 473010)**
  - **Medical Service Plan – (Account 473015)**
  - **GME/Resident – (Account 474005)**
- 

**Medical Service Plan – (MSP) – (Account 475000)** - used for budgeting purposes only, not actual accounting transactions.

Transaction accounts are:

- **Medical Service Plan- (Acct 475015)**
- 

**Contributions & Donations- (Acct 478000)** - Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for recording receipts of gifts and donations:

- **478005 - Gifts-** general account.
- **478007 - Gifts from Related Foundations**
- **478010 - Capital Gifts -** Used for financial statements entries. To reclassify gifts of capital assets from Acct 478005. May code directly to this account to avoid year-end entry.
- **478015 – Capital Gifts from Related Foundations**

**Interdepartmental Revenue- (Acct 479000)** - Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for recording receipts from other campus departments.

Offset cash entry will be to account 105251:

- **Interdepartmental Revenue 1- (Acct 479005)-** Used for recording receipts when charging another department on your campus when an approved recharge center is not used.
  - **Interdepartmental Revenue 2- (Acct 479010)** - Used for recording receipts when charging another department on your campus when an approved recharge center is not used.
  - **Interdepartmental Revenue 3 - (Acct 479015)** - For use by approved recharge centers only.
  - **Interdepartmental Revenue 4 - (Acct 479020)** - For use by approved recharge centers only. Used for recording receipts when charging another department on your campus.
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**Other Misc Rev- (Acct 480000)** - Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for recording other revenue not identified above:

- **Lease Rev-LongTerm-NonGASB87 – (Acct 480001)** – To record income from GASB 72 (Fair Value) investments.
- **Cash Long- (Acct 480005)-** To record cash overages in non-auxiliary petty cash or change/till funds. For auxiliary cash long, use account 470550.
- **Insurance Proceeds - (Acct 480010)-** must be used to record the receipt of property insurance settlements for financial statement purposes.

- **Tax Revenue – Non Operating- (Acct 480020)** - To record tax levies received (ex. NDSU gas tax deposits for Ag and UND tax deposits for med school).
- **Services to NDUS Institutions – (480025)** – to record payments received from other NDUS institutions for services performed on behalf of other institutions. Example: Shared Services arrangements between institutions. Note: Institutions making payments for Shared Services arrangements should record the expense in 623030 – Contract Services.
- **Other Non Operating Revenue- (Acct 480090)** - Used for financial statement entries only. To reclassify revenues that are considered non-operating revenue for financial statements purposes.

**Sale of Capital Asset- (Acct 481000)** - Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for recording gain or loss on the sale of capitalized assets:

- **Gain(Loss) Disposal Cap Asset- (Acct 481005)**- Used for financial statement entries. To record the gain(loss) on the sale or retirement of capital assets from the asset management module.

**Proceeds of Debt- (Acct 483000)** - Used for budgeting purposes only, not accounting transactions.

Transaction accounts for recording proceeds of bonds in the unexpended plant funds (28000-29999):

- **Bonding Authority- (Acct 483005)** - To record proceeds of bonds issued by the building authority.
- **Other Bond Proceeds- (Acct 483010)** - To record proceeds of all other bond issues.
- **Other COP Proceeds – (Acct 483011)** – To record proceeds of all other Certificate of Participation (COP) proceeds.

**Indirect Costs- (Acct 484000)** - Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for recording recovery of administrative and indirect costs:

- **Administration Allowance - (Acct 484005)** - to record the recovery of administrative costs on Federal financial aid programs in a local fund (20000-24999). The revenue should be offset by accounts 730005-730016 in the financial aid or grant funds where the recovery is drawn.
- **Indirect - (Acct 484010)** -To record the recovery of indirect costs on grants and contracts in a local fund (20000-24999). The revenues should be offset by account 730020 in the grant or contract funds where the indirect costs are recovered. (40000-49999).

**Transfers In- (Acct 490000)** - Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for recording transfers between funds. Do not use in custodial funds (fund group 80000-89799):

- **Interfund Transfers- (Acct 490002)** - to record voluntary transfers between funds in different fund groups.
- **Intrafund Transfers- (Acct 490004)** - to record voluntary transfers between funds in the same fund group.
- **Mandatory- (Acct 490009)** - to record non-voluntary transfers to another fund that are required by bond covenants or other financing arrangements.

**Interdept Transfer- (Acct 491000)** - Used for budgeting purposes only, not actual accounting transactions.

- **Interdept Service- (Acct 491005)** - Used when department gives a greater level of service over what is customary (Example: a lab wants floors sterilized weekly over the once every two week cleaning).
- **Inderdept Inst Support (Acct 491010)** – Used when department receives institutional support for operations (Example: a department has a general operating need and resources are being temporary reallocated to meet this need.)
- **Interdept Investment (Acct 491015)** – Used when a department is given centrally allocated dollars for a strategic initiative. (Example: a department is working on drone development to deliver mail on campus via a drone.)

## **Expenses (500000-730020)**

Expenses are the outflows of assets (such as cash) resulting from the purchase of products or service. Expenses are recorded through payroll, accounts payable, interdepartmental billings, and journal entries.

Departments may choose to use the ‘detail’ accounts for recording expenses; however, for accounting purposes, only the ‘general’ account is required to be used.

**Expenses- (Acct 500000)** - Used for budgeting purposes only, not actual accounting transactions.

- **Total Direct- (Acct 501000)** - Used for budgeting purposes only, not actual accounting transactions.
- 
- **Operating Expenses by Line Item - (Acct 520000)**- Used for budgeting purposes only, not actual accounting transactions.
- 

## **SALARIES & FRINGE BENEFITS**

**Salaries- (Acct 510000)**- Used for budgeting purposes only, not actual accounting transactions.

Entries will journal generate from payroll module. Adjusting entries to these accounts should only be done by the accounting office. Payroll detail is available in the HRMS module.

**Salaries-Regular - Benefitted- (Acct 511000) - Used for budgeting purposes only.**

- **511002 - Salaries - Regular -Benefitted** -- should be used for all permanent full-time or part-time support staff.
- **511005 - Staff Overload** - should be used for overload payments made to staff.
- **511060 - Vacation and Sick Accrual** - Used to record change in the vacation and sick leave liability at fiscal year-end.

**Salaries - Other- (Acct 512000)- used for budgeting purposes only.**

- **512005 - Salaries – Other** - Other salary payments including: student assistants, temporary part-time support staff, Federal Work Study program, employee awards, terminate/leave pay, and sick leave payments.
- **512015 - Unassigned Payroll** - Used to temporarily post payroll expenses to the general ledger that do not have an appropriate fund or project at the time of payroll compensation.
- **512020 - Salaries-Other-Participant Sup** - Used to pay stipends on sponsored agreements that will only allow F&A on participant costs.

**Temp-Salaries-NonBenefitted- (Acct 513000) - Used for budgeting purposes only.**

- **513005 - Temp-Salaries-NonBenefitted** - Used for all temporary full-time or part-time staff and faculty that are not entitled to benefits.
- **513020 - Temp-Sal-NonBen-Participant Sup** - Used to pay stipends on sponsored agreements that will only allow F&A on participant costs.

**Overtime- (Acct 514000)- Used for budgeting purposes only.**

- **514005 - Overtime-** Used for overtime payments for services performed beyond forty hours a week for those employees subject to the Fair Labor Standards Act.

**Salaries - Faculty- (Acct 515000)- Used for budgeting purposes only.**

- **515005 - Salaries - Faculty-** Used for personnel employed in a faculty role, whether in teaching, research, or public service.
- **515010 - Faculty Overload-** Used for overload payments to faculty.
- **515015 – Salaries-Non-Teaching Faculty-Extension Service** – Used for NDSU Cooperative Extension Service to comply with federal appropriation (Smith Lever) requirements.

**Salaries- Graduate Assistants (Acct 517000)- Used for budgeting purposes only.**

- **517005 - Salaries-Grad Assistants-** Used for stipends/salaries of graduate assistants employed by the institution.

**Fringe Benefits- (Acct 516000)-** used for budgeting purposes only, not actual accounting transactions.

The fringe benefit codes are utilized to record the campus's expenditures for matching expenses toward each of the respective programs. The codes are also utilized to record the remittance of monies to each of the respective organizations responsible for the fringe benefit program. This information will be journal generated from the HRMS module.

- **516005 - Disability Insurance**
- **516010 - Vacation/Sick Leave**
- **516015 - Employee Assist Program**
- **516020 - Employee Tuition Waivers**
- **516025 – Graduate Assistant Waivers**
- **516030 - Federal Health Insurance**
- **516035 - Federal Life Insurance**
- **516040 - Federal Retirement**
- **516050 - Great West Life Retirement**
- **516055 - Health Insurance**
- **516056 - Health Insurance GRA GTA GSA**
- **516060 - HMO Insurance**
- **516075 - Life Insurance**
- **516080 - Medicare**
- **516085 – Oasis**
- **516090 – Medical Leave Insurance**
- **516160 - Risk Management Premium**
- **516165 – Section 125 Adm Fee**
- **516170 - Social Security**
- **516175 - State Retirement**
- **516190 - Teacher Insurance & Retirement**
- **516198 – Pension Expense**
- **516199 - OPEB Expense**
- **516200 - TIAA/CREF**
- **516205 - Unemployment Insurance**
- **516210 - Workers Comp Premium**
- **516215 - Fringes- Unassigned**
- **516220 - Other Payroll Taxes**

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### **Other Taxable Compensation:**

**Other Taxable Compensation - (Acct 518000 and 519000) –** Used for budgeting purposes only, not actual accounting transactions.

The other compensation category is used to pay taxable amounts that are not part of regular earnings, such as cell phone payments and moving expenses.

- o **518005 – Other Taxable Compensation**
  - o **519010 – Salaries Medical Resident**
- 

## **Expenses – Travel:**

**Travel - (Acct 521000)** - Used for budgeting purposes only, not actual accounting transactions.

The travel category is used for travel expenses incurred by employees and students in carrying out assigned duties. Use 623200 for non-employee travel.

- o **521010 - In State - Air Transportation** - Used for reimbursements to employees for commercial airline expense and payments to travel agencies for airline travel when the point of destination is within the state of ND.
- o **521015 - In State – Lodging** - - Used for reimbursements to employees for lodging in ND at the in-state rate.
- o **521020 - In State – Meals** - Used for reimbursements to employees for meals at the in-state per diem rate.
- o **521030 - In State - Vehicle Mileage** - Used for reimbursements to employees for mileage at the in-state mileage rate.
- o **521035 - Meals Taxable** - Used for reimbursements to employees for meals incurred during in-state or out-of-state travel in which no overnight stay is involved and foreign travel when the rate is over the non-taxable allowance.
- o **521045 - Motor/Aircraft Pool** - Used by departments to pay for using the state's motor pool or campus's aircraft pool.
- o **521055 - Moving – Taxable** - Used to reimburse moving expenses to new employees that will be considered taxable income to the employee.
- o **521065 - Other Transportation & Misc Expense** - Used for reimbursements to employees for personal airplane mileage and reimbursements for miscellaneous travel expenses allowed by campus policies.
- o **521070 - Out of State- Air Transportation** - Used for reimbursements to employees for commercial airline expense and for payments to travel agencies for airline expense when the point of destination is outside the state of ND.
- o **521075 - Out of State – Lodging** - Used for reimbursements to employees for lodging out of state at the amount of actual expense.
- o **521080 - Out of State - Meals** - Used for reimbursements to employees for meals incurred out-of-state, at the per diem rate applicable to the destination.
- o **521090 - Out of State - Vehicle Mileage** - Used for reimbursements to employees at the out-of-state rate for mileage incurred outside the state of ND.
- o **521095 - Recharge- Travel**- Used by recharge centers only.
- o **521103 - Travel – Athletic Team or Other Organized Institution Organization** – For all travel expenses related to an athletic team or other

organized group, this includes actual expenses for the entire group including coaches, trainers, or other employees submitting for payment on a team or group travel expense report

- **521105 - Travel – Students** - Used to pay student travel expenses except if part of a team or organized group trip see 521103.

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## **Expenses – International Travel:**

**International Travel - (Acct 522000)** - Used for budgeting purposes only, not actual accounting transactions.

The international travel category is utilized for international travel expenses incurred by employees and students in carrying out assigned duties.

- **Intl Air Transportation - (Acct 522010)**
- **Intl Lodging – (522015)**
- **Intl Meals – (522020)**
- **Intl Mileage – (522025)**
- **Intl Meals Taxable – (522030)**
- **Intl Other Trans & Misc Exp - (522035)**

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## **SUPPLIES**

**Supplies - IT Software- (Acct 531000)**- Used for budgeting purposes only, not actual accounting transactions. To be used for the purchase of computer supplies, software and software licenses.

- **Data Processing Supply - Misc.- (Acct 531005)** - Used for the purchase of supplies and accessories to be used with the operation of a computer system. Examples include: ribbons, blank diskettes & CD-ROMs, laser printer cartridges, mice, keyboards.
- **Network Supplies - (Acct 531010)** – Used for network supplies such as network cables, patch cords, connectors, and other non capitalizable network equipment.
- **Software/Licenses/Maint Non Cap - (Acct 531015)** - Used for purchases of computer software/licenses/maintenance agreements that have a term of one year or less, even if the cost exceeds \$5,000. Annual software maintenance can be a separate related expense and should also be expensed to this account. Annual software maintenance costs are not capitalized as equipment or intangible assets.

This account is also used for payments made to CTS for software that is not capitalized. Examples of such payments to CTS are, but not limited to, payments for Touchnet, Microsoft Campus Agreements, Blackboard, Qualtrics and Tegrity.

- **Variable SBITA payments - (Acct 531020)** - Used to record variable payments associated with SBITA agreements that are not included in SBITA liability.
- **Software/License Capitalized - (Acct 531025)** - Used to record payments for capitalizable software/licenses. Prior to finalizing the year-end close, a reclass entry is made in the Full Accrue ledger to reclass to account 581070-SBITA Principal. Account 682120-Software Subscription Cap may also be used for these payments.

**Supply/Material - Professional- (Acct 532000)- Used for budgeting purposes only,**  
not actual accounting transactions.

Used for the purchase of supplies and materials for instructional or research purposes.

- **Athletic Supplies- (Acct 532010)** - used for the purchase of athletic supplies.
- **Audio Visuals- (Acct 532015)** - used for the purchase of microfilm, microfiche, cassettes, records/albums, and slide duplication.
- **Books- (Acct 532020)**- Used for the purchase of books by the Library. Also used by other departments when the books are not for general office usage. If used by a library fund this account would be capitalized as “Library Books”.
- **Films/Video- (Acct 532045)** - Used for purchasing films and videotapes. Use Account 621145 for costs of developing film from cameras. If used by a library fund this account is capitalized as “Library Books” at year-end.
- **Instructional Supplies- (Acct 532050)** - Used for the purchase of supplies that are used in a classroom or teaching environment. Supplies purchased for use in an office should be coded to Acct 536015.
- **Lab Supplies- (Acct 532060)** - Used for purchase of expendable supplies for labs.
- **Chemical and/or Biological Sup - (Acct 532061)**
- **Animal Per Diem (Acct 532062)** – Used to record animal care per diem rates associated with research projects.
- **Maps & Plats - (Acct 532065)**
- **Microfilm Supplies - (Acct 532070)**
- **Multimedia Supplies - (Acct 532075)**
- **Nursing Supplies - (Acct 532080)**
- **Periodicals- (Acct 532085)** - Used for subscriptions to newspapers, magazines, journals, yearbooks, indexes, and cumulative series. If used by a library fund this account would be capitalized as “Library Books” at year-end.
- **Library Continuations- (Acct 532090)** - Used for the purchase of a series of published material from an organization or society, where each volume is published individually, over an undefined span of time. If used by a library fund this account would be capitalized as “Library Books” at year-end.
- **Library Approval Plans- (Acct 532091)** - Used for purchases of monographic titles covered by a specific predefined subject oriented approval plan.

- **Photography Supplies- (Acct 532095)**
- **Publications- (Acct 532100)** - Used for the purchase of a series of published material from an organization or society. Also, used for costs incurred in the publication of an article and reprint of such article.
- **Interlibrary Loan/Publications - (Acct 532101)** - used for interlibrary loans and for costs incurred in the publication of an article and reprint of such article.
- **Purchasing Cards - (Acct 532105)** - Items purchased with a purchasing card that have not been reallocated to other account codes.
- **Recharge-Instructional Supply- (Acct 532110)** - Used by recharge centers only.
- **Reference Materials- (Acct 532115)**
- **Research Supplies/Materials- (Acct 532120)**- Used for supplies used in research settings, online database searching, including the cost of various databases and annual subscription fee which pays for the operating manuals and also authorizes access to the various databases.
- **Electronic Resources/Subscriptions (Acct 532121)** - Used for online database searching and subscription fees that have a useful life of one year or less. May also be used for materials from the proceedings of a conference. This account would be used for reference materials, whereas account 621320 “Online Database Services” should be used for resources used for other online database information.
- **Subscriptions Non-SBITA - (Acct 532130)** - Should be used when paying for newspapers, magazines, journals where the subscription is used in the operation of an office.
- **Video/Audio/DVD’s/CD’s/Tapes - (Acct 532145)** - Purchases of prerecorded video /audiotapes, CD’s, tapes. If used by a library fund and volumes cannot be counted, this account would be capitalized as “Library Books”.

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**Food and Clothing- (Acct 533000)**- Used for budgeting purposes only, not for actual accounting transactions.

Used for the purchase of food, small wares and uniforms. Departments may choose to use the ‘detail’ accounts for recording expenses; however, for accounting purposes, only the ‘general’ account is required to be used.

- **Banquet and Meeting Food & Bev- (Acct 533005)**- general account. Used to pay meal and snack expenses in the recruitment of new employees, staff retreats, hosting official guests, or refreshments at meetings. Should also be used for room rental for conferences and meetings.
- **Clothing- (Acct 533010)**- general account.
- **Smallwares- (Acct 533015)** - general account. Used for dishes & utensils, small appliances and other food service items.
- **Athletic Food Non-Travel – (Account 533020)** – meals provided to student-athletes that are not related to team travel or pre-game meals.
- **Food Supplies- (Acct 533025)** - general account. Used for food purchases other than for resale.

- **Interdepartmental- Smallwares- (Acct 533040)** - used only for charges from other departments, this account is a clearing account, not used by Recharge Centers.
- **Interdepartmental- Uniforms & Linens- (Acct 533045)** - used only for charges from other departments, this account is a clearing account, not used by Recharge Centers.
- **Uniforms & Linens- (Acct 533065)** - general account. Used for purchase of uniforms and table linens. Cleaning of these items should be coded Acct 621275.
- **Uniforms & Linens - (Acct 533070)** - Duplicate account to #533065 above. Do not use.

**Bldg, Grounds, Vehicle Supply- (Acct 534000)** - Used for budgeting purposes only, not actual accounting transactions.

Used by physical plant department for purchase of operating supplies. Departments may choose to use the ‘detail’ accounts for recording expenses; however, for accounting purposes, only the ‘general’ account is required to be used.

- **Building Supplies- (Acct 534020)** - general account.
- **Custodial Supplies- (Acct 534025)** - detail account.
- **Electrical Supplies - (Acct 534030)** - detail account.
- **Equipment Repair Parts - (Acct 534035)** - detail account.
- **Fuel & Oil - Vehicle- (Acct 534040)** - general account.
- **Hardware & Bldg Supply - (Acct 534045)** - detail account.
- **Interdepart-Sanitation- (Acct 534050)** - used only for charges from other departments, this account is a clearing account, not used by Recharge Centers.
- **Landscaping & Ground Supplies- (Acct 534065)**- general account.
- **Maintenance Supplies- (Acct 534070)** - general account.
- **Paint- (Acct 534105)** - detail account.
- **Part Supplies - (Acct 534110)** - detail account.
- **Plumbing Supplies- (Acct 534115)** - detail account.
- **Recharge- Fuel and Oil Vehicle - (Acct 534120)** - used by recharge centers only.
- **Sanitation Supplies - (Acct 534145)** - detail account.
- **Shop Supplies - (Acct 534155)** - general account.

**Miscellaneous Supplies - (Acct 535000)** - Used for budgeting purposes only, not actual accounting transactions.

Used for supplies of a miscellaneous nature that do not fit another supply category. Departments may choose to use the ‘detail’ accounts for recording expenses; however, for accounting purposes, only the ‘general’ account is required to be used.

- **Farm & Livestock Supplies - (Acct 535025)** - detail account.
- **Other Supplies - (Acct 535045)** - general account.
- **Name Tags, Business Cards, ID Cards - (Acct 535050)** - detail account.

- **Plaques & Trophies - (Acct 535055)** - detail account. Used to pay for certificates, plaques, trophies, ribbons, or some other non-cash item to confer or bestow on an individual or organization for special achievement.
- **Promotional Supply Unlicensed - (Acct 535060)** - detail account. Used to pay for items purchased for a promotional purpose that are not licensed. (Ex. pens or other trinkets imprinted with the campus logo).
- **Promotional Supply Licensed - (Acct 535070)** - detail account. Used to pay for items purchased for a promotional purpose that are licensed.
- **Seed, Feed & Fertilizer Supplies - (Acct 535080)** - detail account.
- **Veterinarian Supplies - (Acct 535090)** - detail account.
- **Expendable Equip Not Tagged - (Acct 535100)** - used for items less than \$5,000 that are not tracked for inventory purposes.
- **Tool Crib (EERC) Recharge - (Acct 535105)**
- **Recharge-Facilities Supplies- (Acct 535110)**
- **MineralWaterTimberRightNo Cap (Acct 535205)** – used for Mineral, Water, and Timber rights expenses that are not capitalized.
- **Copyright – NonCap (Acct 535210)** – used for copyright expenses that are not capitalized.
- **Patent – NonCap (Acct 535215)** – used for Patent expenses that are not capitalized.
- **Trademark – NonCap (Acct 535220)** – used for Trademark expenses that are not capitalized.
- **Website – NonCap (Acct 535225)** – used for Website expenses that are not capitalized.
- **Other Easement – NonCap (Acct 535230)** – used for easement expenses that are not capitalized.
- **Right of Way-NonCap (Acct 535235)** – used for right of way expenses that are not capitalized.
- **Logos-NonCapitalized (Acct 535240)** – used for logo expenses that are not capitalized.

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## OFFICE

**Office Supplies- (Acct 536000)**- Used for budgeting purposes only, not actual accounting transactions.

Used for purchase of supplies used in an office setting.

- **Indepartmental-Paper- (Acct 536010)** - used only for charges from other departments.
- **Office Supplies- (Acct 536015)** - used for purchases of supplies that are used in the operation of an office. If used in a classroom or teaching environment, use account 532050.
- **Paper Products- (Acct 536020)** - used for purchase of paper, letterhead, envelopes, etc. used in the operation of an office.
- **Recharge - Paper- (Acct 536025)** - used by recharge centers only.
- **Recharge - Office Supplies- (Acct 536030)** - used by recharge centers only.

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**Postage- (Acct 541000)**- Used for budgeting purposes only, not actual accounting transactions.

Used to pay expenses to mail items via U.S. Post Office.

- **Bulk Mailing Charges- (Acct 541005)**
- **Postage or P.O. Box Rental- (Acct 541015)**
- **Postage Due- (Acct 541020)**
- **Postage Meter- (Acct 541025)**
- **Postage Stamps- (Acct 541030)**
- **Recharge - Mailing Services- (Acct 541035)** - used by recharge centers only.

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**Printing- (Acct 542000)** - Used for budgeting purposes only, not actual accounting transactions.

Accounts used to pay costs of printing supplies and materials for the campus.

- **Copier Supplies- (Acct 542010)**- used for copier toner, parts, and small accessories.
- **Printing- (Acct 542025)** - used when typesetting or other design work is necessary to create a master copy and reproduce the master copy to create the end product.
- **Copies/Duplicating- (Acct 542030)**- used when paying fees for the use of photocopy machines that are billed based on usage.
- **Recharge - Copying- (Acct 542040)**- used by recharge centers only.
- **Recharge - Printing- (Acct 542045)**- used by recharge centers only.

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## MINOR EQUIPMENT

**IT Equipment -Non Cap- (Acct 551000)**- Used for budgeting purposes only, not actual accounting transactions.

Used for any personal property IT items costing less than or equal to \$5000, individually. Cost includes freight and installation charges. (Ex. printers, fax machines, computers, PDAs.). These items will not be capitalized but may be tracked in the asset management module.

Departments may choose to use the ‘detail’ accounts for recording expenses; however, for accounting purposes, only the ‘general’ account is required to be used.

- **Computer Equipment - Non Cap- (Acct 551005)** - detail account.
- **Other IT Equipment - Non Cap- (Acct 551020)** - general account. Used if detail is not needed.
- **Printer Equipment - Non Cap- (Acct 551025)** - detail account.
- **Recharge-IT Equip - Non Cap- (Acct 551030)** - used for recharge centers only.
- **Telecomm Equipment – Non Cap- (Acct 551035)** - detail account.

**Other Equipment - Non Cap- (Acct 552000)**- Used for budgeting purposes only, not actual accounting transactions.

These items will not be capitalized but may be tracked in the asset management system. Used for any personal property items costing less than the NDUS capitalization threshold, individually. Cost includes freight and installation charges. (Ex. copiers, desks, chairs, book shelves, file cabinets, larger food service appliances, musical instruments, vacuums, large power tools, a/v projectors, wrestling mats, etc.)

Departments may choose to use the ‘detail’ accounts for recording expenses; however, for accounting purposes, only the ‘general’ account is required to be used.

- **Office Equipment - Non Cap- (Acct 552005)**- detail account.
- **Athletic Equipment - Non Cap- (Acct 552010)**- detail account.
- **Audio Visual Equipment - Non Cap- (Acct 552015)**- detail account.
- **Maint/Construction Equipment - Non Cap- (Acct 552020)**- detail account.
- **Musical Equipment - Non Cap- (Acct 552025)**- detail account
- **Other Equipment Non Cap - (Acct 552030)**- general account - if detail is not needed.
- **Vending/Food Equipment Non Cap - (Acct 552035)**- detail account.
- **Recharge-Equipment Non Cap - (Acct 552095)**- for recharge center use.

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**Expenses: IT Equipment >=\$5k - \$10k (Acct 553000)**

The following accounts are used to track purchases between \$5,000 and \$10,000 for F&A purposes.

- **Computer Equip > = \$5k < \$10k - (Acct 553005)** - detail account.
- **Other IT Equip > = \$5k < \$10k – (Acct 553020)** – detail account
- **Printer Equip > = \$5k < \$10k – (Acct 553025)** – detail account
- **Recharge-IT Equip > = \$5k < \$10k – (Acct 553030)** – detail account
- **Telecomm Equip > = \$5k < \$10k – (Acct 553035)** – detail account

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**Expenses: Equipment >=\$5k - \$10k (Acct 554000)**

The following accounts are used to track purchases between \$5,000 and \$10,000 for F&A purposes.

- **Office Equip > = \$5k < \$10k - (Acct 554005)** - detail account.
- **Athletic Equip > = \$5k < \$10k – (Acct 554010)** – detail account
- **Audio/Visual Equip > = \$5k < \$10k – (Acct 554015)** – detail account
- **Maint/Constr Equip > = \$5k < \$10k – (Acct 554020)** – detail account
- **Musical Equip > = \$5k < \$10k – (Acct 554025)** – detail account
- **Other Equip > = \$5k < \$10k – (Acct 554030)** – detail account
- **Vending/Food Equip > = \$5k < \$10k – (Acct 554035)** – detail account
- **Recharge-Equip > = \$5k < \$10k – (Acct 554095)** – detail account

## **Expenses: Utilities & Insurance, Rents & Leases, Repair**

### **UTILITIES & INSURANCE**

**Utilities- (Acct 561000)**- Used for budgeting purposes only, not actual accounting transactions.

The utilities category is used for expenditures incurred in the operation of the campus's facilities. The cost included in each account should include the applicable delivery charge.

- **561005 - Asbestos Abatement and Removal**
- **561010 - Coal**
- **561013 - Steam Heat**
- **561015 - Electricity**
- **561020 - Heating Oil**
- **561025 - Propane- Used if only for heating purposes**
- **561027 – Glycerin – (used with coal to increase BTUs)**
- **561030 - Natural Gas-**
- **561035 - Radio/Hazard Waste Disposal**
- **561040 - Recharge-Waste Disposal/Landfill**
- **561060 - Waste Disposal and Landfill**
- **561070 - Water and Sewer**

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**Insurance- (Acct 571000)** - Used for budgeting purposes only, not for actual accounting transactions.

The insurance category is utilized for all premiums on insurance policies purchased by the Campus. Departments may choose to use the ‘detail’ accounts for recording expenses; however, for accounting purposes, only the ‘general’ account is required to be used.

- **571005 -Collision & Comprehensive-** detail account. Used for insurance premiums on motor vehicles and aircrafts. This includes the bodily injury, property damage, uninsured motorist, and personal injury protection coverage associated with these vehicles.
- **571010 - Fidelity Insurance** - detail account. Used for insurance premiums on employee bonds or comprehensive crime coverage.
- **571015 -Liability Insurance** - detail account. Used for insurance premiums for professional liability, errors & omissions, student travel liability, and comprehensive general liability policies.
- **571020 - Other Insurance** - general account. Used if detail is not needed.
- **571025 - Property Insurance** - detail account. Used for insurance premiums on real and personal property, except motor vehicles and aircraft, owned or leased by the Campus.
- **571030 - Risk Management Premiums** - detail account. Used for risk management premiums paid annually to OMB.

## **RENTS AND LEASES**

**Rentals/Leases-Equipment&Other- (Acct 581000)** - Used for budgeting purposes only, not for actual accounting transactions.

**Rentals/Lease-Building/Land- (Acct 582000)** - Used for budgeting purposes only, not for actual accounting transactions.

**Short-term leases and rentals** - The following accounts should be used for making rental or short-term lease payments for equipment, buildings, land and other items. Also, this item would not be recorded on the Campus's equipment records or given a tag number.

Use if a short-term lease agreement is in place:

- **581005 - Aircraft Rental Short-Term**
- **581015 - Equipment Rental Short-term**
- **581045 - IT Equip Rental Short-term**
- **582005 – Booth & Room Rental – Short-term**
- **582030 - Building Rental Short-Term**
- **582035 - Land Rental – Short-Term**

Use for short-term rentals where no operating lease is in place:

- **581055 – OfficeEquip Rental-Short Term** - (Short-term rental of office equip.)
- **581060 - Other Rental – Short Term** - (Ex. renting tables & chairs for an event.)
- **582005 – Booth&Room Rental-ShortTerm** - (Ex. renting booth space at a conference.)

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**Long-Term Leases** - used for payments on long-term lease payable (greater than twelve months). Assets under long-term leases should be recorded on the campus's Asset Management system and given a campus tag number.

**Principal payments** - The following transaction accounts should be used for the principal amount of the long-term lease payment:

- **581020 – Variable Pmnts – GASB 87 Leases**
- **581030 - Equipment Lease-Principal**
- **581040 - IT Equipment Lease-Principal**
- **582050 – Building Lease - Principal**
- **582055 – Land Lease – Principal**

**Interest payments** - The following transaction accounts should be used for the interest amount of the capital lease payment:

- **581025 – Equipment Lease Interest**
  - **581035 - IT Equipment Lease Interest**
  - **582040 - Building Lease Interest**
  - **582045 - Land Lease Interest**
-

**SBITA Principal** - used for payments for long-term SBITAs (greater than twelve months) in accordance with GASB 96. Intangible assets under SBITAs should be recorded on the campus's Asset Management system and given a campus tag number.

- **Principal payments - 581070 – SBITA Principal**
- **Interest payments - 581075 – SBITA Interest**

## REPAIRS

**Repairs- (Acct 591000)** - Used for budgeting purposes only, not for actual accounting transactions.

The repairs category includes the expenses of repairing buildings and equipment items. These expenses include services performed by either the campus facilities management department, or an outside contractor.

- **591025 - Maintenance Agreements**-used for payments on contracts for regular repair and maintenance on plant assets. (Ex. Xerox copy machine contracts.) This account could be used for warranty costs that are separately identified. These expenditures would not be added to the book value of the asset.
- **591040 - Recharge-Deferred Maint Repair**- used by recharge centers only.
- **591045 - Recharge - Repairs**- used by recharge centers only.
- **591070 - Repairs IT** used for repairs of IT equipment.
- **591095 - Repair Services Noncapitalized**- used for expenditures incurred to maintain a plant asset in its normal state of operation.
- **591105 - Repair Supplies Noncapitalized**- used for expenditures incurred to maintain a plant asset in its normal good state of operation and do not extend the asset's useful life. (Ex. replacement or repair of floor covering or roofs, reconditioning by replacing small parts, painting, or regular maintenance costs.) Expenditures will not be added to the plant asset's book value.

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## Expenses: IT Communications, Professional Development

### COMMUNICATIONS

**IT - Communications- (Acct 602000)** - Used for budgeting purposes only, not accounting transactions.

- **Cellular Phones- (Acct 602005)** - used to for cellular phones and use charges.
- **Fax Charges- (Acct 602010)** - used to pay for the use of a fax machine.
- **ITD Services- (Acct 602015)** - used to pay for services purchased from the State ITD. Account 621328 should be used to record internet services purchased from providers other than the State ITD. An exemption must be obtained from the State ITD before purchasing services from providers other than the State ITD.
- **Long Distance- (Acct 602020)** - used for long distance telephone charges.

- **Line Charges- (Acct 602025)** - used for paying monthly line charges for telephone services (not including long distance charges -see account 602020) and paying for telegram services. This account should be used for other miscellaneous telephone expenses such as installation, maintenance, and fees for changes in services.
- **Recharge - Line Charges- (Acct 602030)** - used by recharge centers only.
- **Recharge - Long Distance- (Acct 602035)** - used by recharge centers only.
- **Recharge-Paging- (Acct 602040)** - used by recharge centers only.
- **Recharge - Voice/Data- (Acct 602045)**- used by recharge centers only.
- **Recharge-Tele Service Order- (Acct 602050)** - used by recharge centers only.
- **Recharge-Tele Repair Order- (Acct 602055)** - used by recharge centers only.
- **Voice/Data Telephone Service – (Account 602070)** – used to record voice or data telephone charges.

## PROFESSIONAL DEVELOPMENT

**Professional Development- (Acct 611000)** - Used for budgeting purposes only, not accounting transactions.

Used for expenses related to the professional development of staff and faculty.

- **Dues & Memberships- (Acct 611010)** - Includes memberships in professional societies or organizations.
- **Professional Development - (Acct 611020)** - Used for payments for conference and training seminar registration fees, including webinars, for employees.
- **Employee Education- (Acct 611025)** - Used for payments made to an employee or on their behalf for education that may be taxable to the employee based on IRS regulations.

## FEES AND SERVICES

**Operating Fees and Services- (Acct 621000)**- Used for budgeting purposes only, not for actual accounting transactions.

Used to pay services and fees incurred in the operation of the campus. Departments may choose to use the ‘detail’ accounts for recording expenses; however, for accounting purposes, only the ‘general’ account is required to be used.

- **Advertising Services (621020-621035)** - the following accounts should be used for payment of public notices, announcements, want ads, and similar expenses:
  - **Advertising Services-Radio - (Acct 621020)**- detail account.
  - **Advertising Online/Internet – (Acct 621023)**- detail account.
  - **Advertising Services-TV- (Acct 621025)**- detail account.

- **Advertising Services-Print - (Acct 621030)**- detail account.
  - **Advertising Services-Other- (Acct 621035)**- general account. Use for advertising expenses that don't fit into the above accounts.
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- **Athletic Settlement Expense (Acct 621040)** - funds from events and/or tournaments held by the Athletics Department in conjunction with another entity in which a net loss or net profit is determined. If a net profit would result from an event or tournament, a journal entry would be made to move that amount to a revenue account code.
  - **Athletic Special Assistance (Acct 621045)** – items provided to student-athletes for special assistance such as clothing, travel home, school supplies, etc.
  - **Athletic Guarantees- (Acct 621050)**- used to make payments to other colleges and universities as guarantees that home sporting events will not be cancelled.
  - **Athletic Conference Fee (Acct 621051)** – expenses required by the athletic conference in which the sport participates.
  - **Athletic Officials/Game Person- (Acct 621055)**- used for paying individuals for officiating sporting events.
  - **Awards, Rewards, Prizes- (Acct 621060)** - Employee cash awards should be paid through the Payroll Office This account should not be used on grant and contract funds unless specifically approved in the agreement.
  - **Bad Debt- (Acct 621065)** - used to establish and adjust the allowance for doubtful accounts/notes at fiscal year-end. NSF checks returned from the bank can also be written off with this account.
  - **Bank Fees- (Acct 621070)** - used to record bank or trustee handling fees or service charges.
  - **Credit Card Fees- (Acct 621071)** - used for credit card service/processing fees.
  - **Book Binding- (Acct 621075)** - used for expenses incurred in binding or rebinding books, periodicals, publications, and other instructional material.
  - **Collection Expense- (Acct 621080)** - used to pay collection agencies for pursuing old receivables.
  - **Contract Services - (Acct 621100)**- general account. Used to pay for operating services under contract. (Ex. temp agencies)
  - **Custodial and Maintenance Cont- (Acct 621120)**- used to pay for custodial and maintenance service under contract. (Ex. pest control, HVAC controls service, janitorial services.)
  - **Film Processing- (Acct 621145)**- used for developing film into pictures, slides or disks.
  - **Freight & Express- (Acct 621150)** - used for payments to freight companies for transporting an item to a particular destination. This can include overnight mail service. It can also be used for shipping/freight charges on items purchased by the campus. Exceptions: freight for capitalized equipment purchases should be included in the equipment account used to acquire the item(s), freight on merchandise purchased for resale should be coded account 651150.

- **Group Concession Payments- (Acct 621160)** - used when payment is made to a volunteer organization, not employees.
- **IT Contractual Services- (Acct 621230)** - used for contractual charges to a department for data processing services performed by an outside agency
- **IT Services- (Acct 621235)** - used for ad hoc charges to a department for data processing services performed by an outside agency.
- **NDUS CTS Assessments (Acct 621240)** – to record HECN/CND and other CTSS assessments to campuses.
- **Laundry & Dry Cleaning - (Acct 621275)**- used for cleaning uniforms, rugs, linens by an external party.
- **Licenses & Taxes- (Acct 621285)** - used to pay legally required licenses or taxes needed to conduct current operations. (Ex. UBIT taxes, motor vehicle licenses, gaming taxes/licenses, performing arts licenses, satellite license.)
- **Drilling Fees- (Acct 621290)**- Used mostly for sponsored agreements to track drilling fees.
- **Outside Lab Fees- (Acct 621295)**- Used mostly for sponsored agreements to track outside lab fees.
- **Loan Principal Cancelled- (Acct 621300)**- Used to record the reduction of Loan Fund Notes Receivable when the debtor meets the conditions of the loan program to receive cancellation (e.g. teaching, military service, death, disability, etc).
- **Online Database Services- (Acct 621320)**- used to pay online providers. (Ex. CUPA data on demand, library services)
- **Other Operating Fees- (Acct 621325)**- used for service fees paid to individuals or organizations for the performance of services for the campus that do not fit into any of the other fee accounts or if detail in this expense category is not needed.
- **Cable TV- (Account 621326)** – Used for service fees paid to cable providers for television subscriptions.
- **Internet Services – (Account 621328)** – Used for services to internet providers, other than the State ITD. An exemption must be obtained from the State ITD before purchasing services from providers other than the State ITD. Account 602015 should be used to record internet services purchased from the State ITD.
- **Participant Fees- (Acct 621330)**- used to pay project participants usually from grants & contracts funds.
- **Passport- (Acct 621335)**- used to pay for passport registration and photo fees.
- **Photo ID Services- (Acct 621345)**- used to pay an external party to provide photo IDs for students, faculty and staff.
- **Promotional Fees - Licensed- (Acct 621355)**- used to pay for items purchased for a promotional purpose which include the campus copyrighted logo or other licensed image or phase.
- **Promotional Fees - Non Licensed- (Acct 621360)**-not used.
- **Royalty Payments- (Acct 621390)**- used for royalty payments.
- **Recharge - Computer Center- (Acct 621395)**- use by recharge centers only.
- **Recharge - Fees- (Acct 621400)**- use by recharge centers only.

- **CTS (EERC) Recharge- (Acct 621401)** - UND use only
- **PC & D (EERC) Recharge- (Acct 621402)**- UND use only
- **Shops/Ops (EERC) Recharge (Acct 621403)** - UND use only
- **GC/MS (EERC) Recharge (Acct 621404)** - UND use only
- **Recharge-Graphics- (Acct 621405)**- use by recharge centers only.
- **FMRL (EERC Recharge)- (Acct 621406)**- UND use only
- **ARL (EERC) Recharge- (Acct 621407)**- UND use only
- **NMARL (EERC) Recharge (Acct 621409)**- UND use only
- **Recharge - Laundry- (Acct 621410)**- use by recharge centers only.
- **PTC (EERC Recharge)- (Acct 621411)**- UND use only
- **Particulate (EERC) Recharge- (Acct 621412)**- UND use only
- **CFBR (EERC) Recharge- (Acct 621413)**- UND use only
- **Sample Trailer (EERC) Recharge- (Acct 621414)**- UND use only
- **Fuel Prep (EERC) Recharge- (Acct 621415)**- UND use only
- **Recharge Research Information – (Acct 621416)** – Recharge account for research information.
- **Software Tech Recharge – (Acct 621417)** – Recharge account for software technology.
- **EERC ENG Serv Rechrge Center – (Acct 621418)** – Recharge account for EERC engineering services.
- **EERC Field Safety Recharge – (Acct 621419)** – Recharge account for EERC field safety.
- **EERC Geoscience Recharge – (Acct 621420)** – Recharge account for EER Geoscience recharge.
- **Ticket Master Outlet- (Acct 621435)**- Used when ticket master charges a fee for event sales not on campus
- **Ticket Master Box Office- (Acct 621440)**- Used when Ticket master charges a fee for event sales on campus

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**Participant Support - (Acct 622000)** - used for budgeting purposes only, not actual accounting transactions.

Used to track Participant Support Expenses required by NIH and NSF.

- **Participant Support Stipends - (Acct 622005)**
- **Participant Support Subsistenc – (Account 622010)**
- **Participant Support – Travel – (Account 622015)**
- **Participant Support – Other – (Account 622020)**

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**Professional Fees and Services- (Acct 623000)** - used for budgeting purposes only, not actual accounting transactions.

Used to pay professionals for their service to the campus.

- **Accountants- (Acct 623005)**- used for tax, compilation and accounting services provided by a private CPA firm (or individual).

- **Architects- (Acct 623010)**- used for architectural fees for non-capitalized projects or concept projects in non-plant funds.
- **Artistic & Design Service- (Acct 623015)** - used for non-architectural design services.
- **Audit- (Acct 623020)** - used for audit services provided by private firms or governmental.
- **Consultant- (Acct 623025)** - used for paying non-employees or organizations for professional advice or services. Use Account 515005 or 511002 for employee consultants.
- **Background Investigations (Acct 623035)** –used to pay for professional services to perform background investigations.
- **Engineers- (Acct 623055)** - used for engineering fees for non-capitalized projects or concept projects in non-plant funds.
- **Entertainers/Performers- (Acct 623060)** - used to pay performing arts professionals for services provided to the campus. (Ex. singers, musicians, bands, magicians, comedians)
- **Honorarium (Acct 623075)** - used if the primary intent of the cost is to confer distinction on, or to symbolize respect, esteem, or admiration for the recipient. This account cannot be used on Grant and Contract funds (40500-45500).
- **IT-Consultant/Development- (Acct 623090)**- used to pay consultants for IT advice and development services.
- **Lecture- (Acct 623095)**- used to reimburse a non-employee or outside organization for teaching a class.
- **Legal- (Acct 623100)** - used for paying non-employees or outside organizations for legal advice or services.
- **Land Survey Fees- (Acct 623105)** - used for paying surveyors.
- **Medical Professional Fees – (Acct 623110)**
- **Other Professional Fees- (Acct 623155)** - used to pay other professional fees that do not fit into another account description.
- **Professional Licensing Fees- (Acct 623165)** - used to pay professional licensing fees for employees. (Ex. CPA, CFP, physicians.)
- **Research- (Acct 623180)** - used to pay organizations to provide research services.
- **Speaker- (Acct 623185)** - for those individuals hired to participate in a specific conference or for a one-time appearance as a guest lecturer.
- **Non Employee Expenses- (Acct 623200)** - used to reimburse non-employee expenses. It may be used to reimburse the non-employee through “Accounts Payable”. If the expense was incurred by an employee, it will be reimbursed through “Travel and Expense”. These non-employees could include consultants, visiting speakers, or prospective candidates for employment (i.e. interviewing and recruitment). This account can also be used when paying travel agencies for non-employees and paying directly to the hotel.
- **Non Employee Taxable Meals- (Acct 623205)**- Do not be used. 1099’s are issued by vendor, not by account.

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**Subcontracts and Subrecipient s- (Acct 624000 )-** used for budgeting purposes only, not actual accounting transactions.

Used to pay grant subcontracts when some sort of procurement action must be completed and documented for the procurement of the goods and services.

- **Subcontracts > \$25,000- (Acct 624005)-** used for sub grant or contract payments where the aggregate paid to date exceeds \$25,000.
- **Subcontracts = <\$25,000- (Acct 624010)-** used for sub grant or contract payments where the aggregate paid to date *does not* exceed \$25,000.

Used to pay grant subcontracts when financial assistance is made that does not include the procurement of goods and services.

- **Subrecipients > \$25,000- (Acct 624105)-** used for subrecipient payments where the aggregate paid to date exceeds \$25,000.
- **Subrecipients = < \$25,000- (Acct 624110)-** used for subrecipient payments where the aggregate paid to date *does not* exceed \$25,000.

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**Medical, Dental and Optical- (Acct 625000)-** Used for budgeting purposes only, not accounting transactions.

- **Employee Medical Physicals- (Acct 625005)-** used by the UND med school for employee physicals.
- **Athletic Medical – (Acct 625010) –** used for Student-Athlete medical bills paid by the Athletics Department.
- **Athletic Training – (Acct 625015) –** used for athletic training expenses that are charged to individual sports teams. These expenses should be tracked separately from medical expenses for the Athletic Department’s financial reporting.
- **Medical Supplies - (Acct 625030) -** used by the UND School of Medicine and Health and other institutions for medical supplies.

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**Online Prog Manage (OPM) Fee – (Account 626000):** Used for budgeting purposes only, not actual accounting transactions.

- **626005 – Online Prog Manage (OPM) Fee:** Used to pay a third-party vendor a fee for online class marketing and support.
- **626010 – Online Prog Manage (OPM) FeeUGRD:** Used to pay a third-party vendor a fee for undergrad online class marketing and support.

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## **STRATEGIC INVESTMENT FEE**

**Strategic Investment Fee - (Account 628000):** Used for budgeting purposes only, not actual accounting transactions.

- **628005 – Strategic Investment Fee:** Used to record fee charged to revenue producing departments.

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## SUPPORT ALLOCATION COSTS

**Support Allocation Costs - (629000):** Used for budgeting purposes only, not actual accounting transactions.

- **629005 – Support Allocation Costs:** Used to record overhead costs charged to revenue producing departments.
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## OTHER OPERATING EXPENSES

**Miscellaneous Expenses-(631000):** Used for budgeting purposes only, not actual accounting transactions.

- **631005 - Cash Short:** Used to record immaterial shortages in petty cash or change/till funds for auxiliary and non-auxiliary services.
  - **631010 - Other Expenses:** Used only when an expense does not fit in any other account category (ex. items for resale by a department not usually in the business of purchasing goods for resale).
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**Study Subject Expense- (632000):** Used for budgeting purposes only, not actual accounting transactions.

- **632110 – Study Subject Activity Fee:** Reimbursement for Study Subject’s time, usually a fixed rate per the protocol.
  - **632115 - Study Subject Clinic Fee:** Clinical components, such as lab, medicine, and/or medical personnel’s time in the hospital; payable to the hospital (not to the participant).
  - **632120 – Study Subject Travel:** Reimbursement for subjects’ travel expenses, including transportation, lodging, and meals.
  - **632125 – Study Subject Supplies:** Supplies for the subject (i.e., books, pens, paper)
  - **632130 – Study Subject Other:** Payment for items not falling into the categories above.
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**Interest Expense-(641000):** Used for budgeting purposes only, not actual accounting transactions.

- **641005 - Interest Expense:** Used for interest expense cash outflows for non-capital financing activities including interest payments to lenders and other creditors on borrowings made for purposes other than acquiring, constructing or improving capital assets. May include late fees/interest charged when a payment is made past the due date. Interest expense in this category is an operating expense. For interest expense payments on special assessments use account 683060. Interest on Long-term leases should be

recorded as either account 581025, 581035, 582040, or 582045. Interest expense on bonds should be recorded as account 701005.

**Cost of Goods Sold-(651000):** Used for budgeting purposes only, not actual accounting transactions.

Used by departments that maintain inventory to be resold to another department or to an outside customer (ex. food services, bookstore). The accounts are used for items purchased and added to the department's inventory to be resold. **Departments may choose to use the 'detail accounts for recording expenses or may choose to use the 'general' account, when detail is not needed.**

- **651005 - Purchase for resale:** General account, use when detail is not needed.
- **651006 – Prchs for resale – Health/Beauty:** detail account
- **651010 - Purchase for resale- Meat:** detail account.
- **651015 - Purchase for resale- Produce:** detail account.
- **651020 - Purchase for resale- Bakery:** detail account.
- **651025 – Purchases resale – Consignment:** detail account.
- **651030 – Purchases resale – Dairy:** detail account.
- **651035 - Purchases for resale- Labor:** detail account.
- **651040 - Purchases for resale- Materials:** detail account.
- **651045 - Purchases for resale- Supplies:** detail account.
- **651050 - Purchases for resale-Dry Foods:** detail account.
- **651051 – Purchases for resale – Food:** detail account
- **651052 – Purchases for resale – Candy/Pop:** detail account
- **651055 - Purchases for resale-Used Books:** detail account.
- **651056 – Purchases for resale – New Books:** detail account.
- **651057 – Purchases for resale – Gift Items:** detail account.
- **651058 – Purchases for resale – Clothing:** detail account.
- **651060 - Prchs Resale-Telephone Materials:** detail account.
- **651065 – Purchases for resale-Telecom:** detail account.
- **651070 - Purchases for resale- Phone Car:** detail account.
- **651075 - Purchases for resale- Telecom S:** detail account.
- **651076 – Prchs for resale – Computer/Software:** detail account for computer and software related items

Recharge accounts (651080 to 651130) Used by recharge centers for internal activities which provide services to the campus and interdepartmental billing for those services:

- **651080 - Recharge- Purchases for resale:** General account, use when detail is not needed.
- **651085 - Recharge-Purchases resale-Meat:** detail account.
- **651090 - Rchrg-Purchases resale-Produce:** detail account.
- **651095 - Rchrg-Purchases resale-Bakery:** detail account.
- **651100 - Rchrg-Prch resale-Consignment:** detail account.
- **651105 - Rchrg- Purchases resale-Dairy:** detail account.

- **651115 - Rchrg-Prchs resale- Labor:** detail account.
- **651120 - Rchrg-Prchs resale- Materials:** detail account.
- **651125 - Rchrg-Prchs resale- Supplies:** detail account.
- **651130 – Rchrg-Prchs resale-Dry Food:** detail account.
- **651135 – Purchases Discounts:** Contra account; used for a reduction in the purchase price, allowed if payment is made within a specific period.
- **651140 – Purchases Returns & Allowances:** Contra account; used for recording the return of, or allowances made, for good/services not wanted by the customer.
- **651145 – Inventory Adjustment:** Used to adjust the book balance of an inventory record to the amount actually on hand. Entries completed at year-end by the accounting office.
- **651150 – Freight In:** Used for shipping/transportation charges paid for goods/inventory received. This is a separate account that is added to purchases in determining the cost of goods and ending inventory.

**Waivers/Scholarships/Fellowships-(661000):** Used for budgeting purposes only, not actual accounting transactions.

Used for scholarships, tuition remissions, fellowships, waivers, grants and stipend awards to students. Employee and dependent tuition waivers can be coded directly to account code 516020 (Employee Tuition Waivers) or a year-end entry can be completed to move the employee and dependent tuition waivers from account 661015 (Waivers) to 516020. The awards are generally posted from the Student Finance module, on a daily basis, with detail available by item type within the SF module.

- **661005 – Scholarships:** Outside sources of funding used to pay part or all of the educational expenses of a student. Used for awards to undergraduate students based on scholastic achievement and/or financial need. Recipients of scholarships are not expected to render services to the campus in consideration for the awards, nor are they expected to repay the awards. This account is used for the student's initial award and any awards after the initial award.
- **661007 - Tuition Remission:** Used by institutions when recording an award to a graduate student for the actual cost of tuition only, not to be used for other expenses such as fees, room and board. This account is msinly used by Grants and Contracts.
- **661010 – Fellowships:** May be used for awards given to graduate students based on scholastic achievement and/or financial need. These awards do not have to be paid back and do not include funds for which services to the institution must be rendered, such as payments for teaching. A fellowship is assistance to or on behalf of an individual to support further studies/training which will enhance that individual's level of competence and research.

- **661015 – Other Waivers:** Used to reduce either part or all of a student’s tuition. Account is used only by the Business Office to record tuition and fee waivers or remissions on the tuition and fee billing system.
- **661020 – Title IV GrantsStd Fin Aid:** Includes the following:  
*Federal Pell Grant:* Federal grant assistance for undergraduate students who have not earned a bachelor’s or professional degree. This award does not have to be paid back.

*Federal Supplemental Educational Opportunity Grant (SEOG):* Federal grant assistance for undergraduate students who are enrolled at least ½ time. This award does not have to be paid back.

*TEACH (Teacher Education Assistance for College and Higher Education) Grant:* Provides up to \$4,000 per year to students who intend to teach full-time in a public or private school that serves students from low-income families. Under some circumstances, this grant may revert to a loan and have to be repaid.

- **661025 – Stipends:** This account code may only be used in limited situations that are approved by the campus’ Business Office. The IRS defines stipends as a “fixed sum of money paid periodically for services or to defray expenses. The fact that remuneration is termed a “fee” or “stipend” rather than salary or wages is immaterial.” The IRS also states the income from stipends is reportable.

A key in evaluating stipend payments is to determine the purpose of the payment.

- If the payment is intended as compensation for work performed, the worker should be paid as an employee through the University’s payroll process and the expense should be charged to a salaries & wages expense account code, unless an independent contractor relationship can be supported. (Sometimes graduate students are considered to be paid a stipend, but it is really handled as a payment to an employee through the payroll process.)
- If the payment is intended as compensation for services performed by an independent contractor, the worker or company is paid through the purchasing and accounts payable process and an operating expense is coded in one of the fees group of accounts.
- Payments to employees to defray expenses, such as travel expenses, must be made based on state laws and board/university policy and charged to the appropriate operating expense account code (i.e., generally in the travel expense group of account codes). Lump sum stipends to defray expenses of university employees are not

allowed. Reimbursements must be based on actual receipts or meal allowances under state law.

- Payments to non-employees to defray expenses, such as travel expenses, must be based on actual receipts or a meal allowance in order for the expense to be coded to “Non Employee Expenses” (account 623200). If lump sum stipends are paid to non-employees to defray expenses, the payments must be considered part of the fees for services to the contractor and the operating expense should be coded in one of the fees group of accounts and reported on an IRS 1099-MISC form.
- Payments to enrolled students for the purpose of providing financial assistance must be handled through the university’s financial aid processes and generally coded to one of the other account codes in the scholarship group of accounts, such as scholarships (661005), Fellowships (661010), etc., rather than stipends.

**HEERF Aid to Students (Acct 661200)** – used to record aid to students’ payments as part of the various Covid related monies awarded to institutions for payments to students.

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**OTHER NON-OPERATING EXPENSES (671000):** Used for budgeting purposes only, not actual accounting transactions.

**Other Non-Operating Expenses (Acct 671005)**

**CARES Act Aid to Students – (Acct 671010)**

**Bond Issuance Costs - (Acct 671205)** – used to expense bond issuance costs.

**COP Issuance Costs – (Acct 671206)** – used to expense Certificate of Participation (COP) issuance costs.

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## **CAPITALIZED ASSETS**

**Capital Asset Expense- (Acct 680000)-** Used for budgeting purposes only, not for actual accounting transactions.

- **Capital Assets- (Acct 681000)-** Used for budgeting purposes only, not for actual accounting transactions.

The following accounts are used by the accounting department for entries in the Investment in Plant Funds (Fund 00001-00100) to add to or deduct from the book value of capital assets. The offset entry is to the applicable capital asset account (see accounts 151002-151052). Entries will journal generate from the asset management module.

### **Additions**

- **Building/Leasehold Impr Additi- (Acct 681005)**
- **Long-term Lease Additions- (Acct 681010)**
- **CIP Additions- (Acct 681015)**
- **Infrastruct/Land Impr Addition- (Acct 681020)**
- **Intangible Asset Additions- (Acct 681025)**

- **SBITA DIP (Development in Process) Additions – (Acct 681026)**
- **Land Additions- (Acct 681030)**
- **Library Book Additions- (Acct 681035)**
- **Machinery/Equipment Additions- (Acc 681040)**
- **Motor Vehicles Additions- (Acct 681045)**

Deletions- NOT USED, except for SBITA deletions

- **Building/Leasehold Impr Del- (Acct 681050)- Not used.**
- **Long-term Lease Deletions- (Acct 681055)- Not used.**
- **CIP Deletions- (Acct 681060)- Not used.**
- **Infrastructur/Land Impr Deleti- (Acct 681065)- Not used.**
- **Intangible Asset Deletions- (Acct 681070)- Not used.**
- **SBITA DIP (Development in Process) Deletions – (Acct 681071)**
- **Land Deletions- (Acct 681075)- Not used.**
- **Library Book Deletions- (Acct 681080)- Not used.**
- **Machinery/Equipment Deletions- (Acct 681085)- Not used.**
- **Motor Vehicle Deletions- (Acct 681090)- Not used.**

## **CAPITAL ASSET EXPENDITURES**

**Land and Buildings- (Acct 682000)-** Used for budgeting purposes only, not for actual accounting transactions.

This group of accounts are only used in the Plant funds (fund range 00001-00100) either appropriated or non-appropriated. Determining whether an expenditure is a repair or betterment is a key element in coding expenditures in this Account range. Repair expenses are not capitalized.

**Capitalized expenditures-** New construction and betterments. Betterments are added to the value of the applicable capital asset (i.e. land, buildings, equipment); Betterments are defined as the replacement of an existing asset, or asset portion, with an improved or superior asset, or portion; usually at a cost materially in excess of the replaced item. Usually, a betterment results in a better, more efficient, or more productive asset.

- **682005 - Architect Fees Capitalized**
- **682007 - Consulting Capitalized**
- **682015 – Engineering Fees Capitalized**
- **682020 - Building Improvements Capitalized**
- **682030 - Electrical Contractor Capitalized**
- **682040 -General Contractor Capitalized**
- **682050 – Heating/Ventilation Capitalized**
- **682060 - Land & Site Preparation Capitalized**
- **682070 – Surveying Capitalized**
- **682075 – Testing Services Capitalized**
- **682080 – Internal Labor Capitalized**
- **682085 – Internal Materials Capitalized**

- **682090 - Other Capital Payments Capitalized** - Used for any expenditure in Plant funds that doesn't fit the other descriptions, but is a capitalizable type of expenditure. (Ex. advertisements for bids and miscellaneous fees.)
- **682100 - Mechanical Capitalize**
- **682110 – Special Assessments**
- **682113 – Furniture Capitalized**
- **682115 – Asbestos Removal Capitalized**
- **682120 – Software SubscriptionCap > \$25k**

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**Other Capital Payments- (Acct 683000)**- Used for budgeting purposes only, not actual accounting transactions.

- **683055 - Special Assessment Principal**- used for the principal amount of special assessment payments.
- **683060 - Special Assessment Interest** used for the interest amount of special assessment payments.

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## **MAJOR EQUIPMENT**

**Equipment > = \$10k- (Acct 691000)**- Used for budgeting purposes only, not for actual accounting transactions.

The following accounts should be used for purchases of equipment items that individually have a greater than \$5000 (including freight and installation costs), a useful life of one years or more, and are capitalizable on the equipment records. The initial purchase of equipment with component parts should be capitalized as one unit and charged to account 693005, if the total cost is greater than \$5,000. However, a subsequent enhancement or add-on should not be capitalized or charged to the equipment category, unless the cost is greater than \$5,000 and the useful life is one year or more.

- **691005 - Office Equipment > = \$10k**
- **691010 - Athletic Equipment > = \$10k**
- **691015 - Audio Visual Equip > = \$10k**
- **691020 - Equipment Fabrication**- to be used for expenses incurred to construct an equipment item that will be added to the equipment record.
- **691025 - Maintenance/Constr Equip > = \$10k**
- **691030 - Musical Equipment > = \$10k**
- **691035 - Other Equipment > = \$10k**
- **691040 - Vending/Food Equip > = \$10k**
- **691045 - Intangibles-Mineral, Water, Timber Rights**
- **691050 - Intangibles-Copyrights**
- **691055 - Intangibles-Patents**
- **691060 - Intangibles-Trademarks**
- **691065 - Intangibles-Websites**
- **691070 - Intangibles-Other Easements**
- **691075 - Intangibles-Right of Way**

- **691080 - Intangibles-Logos**
- **691085 – Not Owned Equip/Fabrication**

**IT Equipment > = \$10k - (Acct 693000)-** Used for budgeting purposes only, not for actual accounting transactions.

- **693005 - Computer Equipment > = \$10k**
- **693015 - IT Printers > = \$10k**
- **693020 - Other IT Equipment > = \$10k**
- **693025 - Telecommunications > = \$10k**
- **693030 - Intangibles-Internally Developed Software**
- **693035 - Intangibles-Capitalized Software**

## **OTHER SOURCES & USES**

**Other Bond Pymnt, Depr, Etc.- (Acct 700000) -** Used for budgeting purposes only, not for actual accounting transactions.

- **Other- (Acct 700001) -** Used for budgeting purposes only, not for actual accounting transactions.

**Bond Payments- (Acct 701000 )-** Used for budgeting purposes only, not for actual accounting transactions.

Used to record principal and interest payments.

- **Bond Interest Pymts - (Acct 701005) -** Used to record payment of interest on bonds.
- **COP Interest Pymts - (Acct 701006) -** Used to record payment of interest on COP (Certificates of Participation)
- **Bond Principal Pymts - (Acct 701010) -** Used to record payment of principal on bonds.
- **COP Principal Payments - (Acct 701011) –** Used to record payment of principal on COP (Certificates of Participation).
- **Notes Payable - Interest Pymts- (Acct 701015)-** Used to record payment of interest on notes payable.
- **Notes Payable - Principal Pymt- (Acct 701020)-** Used to record payment of principal on note payable.

**Depreciation Expense- (Acct 702000)-** Used for budgeting purposes only, not for actual accounting transactions.

- **Depreciation Expense- (Acct 702005)-** used to record total depreciation expense at year-end for all campus and system office capital assets.
- **Intangibles Amortization Expense (Acct 702010) –** used to record total amortization expense at year-end for all campus and system office intangibles.

**Other Additions/Deductions- (Acct 715000)-** Used for budgeting purposes only, not actual accounting transactions.

- **Other Additions/Deductions- (Acct 715001)**- Used for budgeting purposes only, not actual accounting transactions.
- **Other Additions/OtherDeducts- (Acct 715015)**- Consists of any other receipt or disbursement that do not represent revenues, or expenditure reductions.

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**Interdept Transfer- (Acct 721000)**- Used for budgeting purposes only, not actual accounting transactions.

- **Interdept Service - (Acct 721005)** - Used for when a department receives a greater level of service over what is customary. (Example: A lab wants floors sterilized weekly over the once every two-week cleaning).
- **Interdept Inst Support – (Acct 721010)** – Used when central office is providing institutional resources to a department for operations. (Example: a department has a general operating need and resources are being temporary reallocated to meet this need).
- **Interdept Investment (Acct 721015)** – Used when central office allocates to a campus department the centrally allocated dollars for a strategic initiative. (Example: a department is working on drone development to deliver mail on campus via a drone.)

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**Transfers Out- (Acct 722000)**- Used for budgeting purposes only, not actual accounting transactions.

- **Transfers Out- (Acct 722001)**- Used for budgeting purposes only, not actual accounting transactions.

Transaction accounts for recording transfers between funds. **Do not use in Custodial Fund accounts (Fund group 80000-89799):**

- **Intertransfer- (Acct 722005)**- to record voluntary transfers between funds in different fund groups.
- **Intratransfer- (Acct 722010)**- to record voluntary transfers between funds in the same fund group.
- **Mandatory Transfers- (Acct 722015)**- to record non-voluntary transfers to another fund that are required by bond covenants or other financing arrangements.
- **Gen & Spec Grant Exp (NDUS use only)- (Acct 722020)**- Used by NDUS office only to record grant transfers between institutions and/or the NDUS System Office and to record payments made by the NDUS System Office to non-NDUS Higher Ed entities and/or to non-NDUS students.
- **InterInst Trnsfr -NDUSO Approval (Acct 722024) – InterInst Trnsfr-NDUSOapproval – (Acct 722024)** – Used for **one-time unusual** transactions between Institutions and/or the NDUS System Office. It is **not** to be used for day-to-day transactions that occur in the normal course of business. Examples of when this account would be used are transfers of positions, fte's and/or programs. Use of this account for **any** transaction requires the prior approval of the NDUS Director of Financial Reporting.

- **Tr to Bldg Auth (NDUS use only)- (Acct 722025)-** Used by NDUS office only to record payments to building authority.
- **PriorPeriod NetPosition Adjust - (Acct 722026)-** to record prior period adjustments to beginning net position for correction of errors or implementation of new GASB standards, requiring retroactive application. **Notify the NDUS Director of Financial Reporting before using this account number.**

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**Facilities & Administration- (Acct 730000)-** Used for budgeting purposes only, not for actual accounting transactions.

- **Facilities & Administration- (Acct 730001)-** Used for budgeting purposes only, not for actual accounting transactions.
- **Facilities & Administration- (Acct 730002)-** Used for budgeting purposes only, not for actual accounting transactions.

The following accounts are used to record the amount of administrative costs recovered from the Federal loan programs (e.g. NDSL/Perkins loan).

- **Admin Allowance 90% Federal- (Acct 730005)**
- **Admin Allowance 10% State- (Acct 730010)**
- **Admin Allowance- (Acct 730015)**
- **Admin Allowance 5%- (Acct 730016)**

The following accounts are used to record the F&A costs to the grant/contract funds.

- **Facilities & Administration- (Acct 730020)-** Used to record the facilities and administration (formally indirect cost) to the grant/contract fund.
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