

UNIVERSITY CONTROLLER OFFICE STANDARD OPERATING PROCEDURES

ACCOUNTING FOR PRIOR YEAR BALANCES

January 1, 2019

Table of Contents

1. Purposes of Prior Year Balances Procedure
2. Overview of Year End Process Oracle Cloud Financials
3. Year End Accounting Process for Restricted, Internally Designated and Special Funds
4. Year End Accounting Process for Unrestricted Operating Funds
5. Budgeting for the Use of Prior Year Balances:
6. Managing Balances Prior to Fiscal Year End Close
7. Contact for Questions

1. Purposes of Prior Year Balances Procedure

The Prior Year Balances procedures outlines the steps necessary for Rutgers to reclassify net position balances to meet accounting and reporting requirements. These steps are necessary and relevant only after fiscal year end close processes are completed in Oracle Cloud Financials. These steps are defined in two categories – one for funds which have specific, defined purposes such as sponsored projects, gifts, endowments, other dedicated funds, etc., and one for unrestricted operating funds where leadership has significant discretion as to the future use of net position resources. This procedures document is not intended to place, change or remove restrictions on any funds or balances but rather to define standard accounting practices related to how those funds are recorded and reported in our financial systems.

2. Overview of Year End Process Oracle Cloud Financials

At the end of each fiscal year, Oracle Cloud Financials summarizes the net of P&L activity across all UDOLFB's at the Unit and Fund level and records it in account 30010-Net Position Beginning Balance. The following chart of accounts strings are used for the fiscal year end balances:

Unit: remains the same

Division is set as 1510-Controller's Office,

Organization: is set as 3103-Controller's Office,

Fund: remains the same

Location: is set as 0001-System Wide

Business Line: is set as 9999-Default.

Account: 30010-Net Position Beginning Balance

3. Year End Accounting Process for Restricted, Internally Designated and Special Funds

After the completion of the fiscal year end process, UCO will reclassify the Net Position Beginning Balance of all restricted, internally designated and other special funds, such as Service Centers (see table below), back to the original UDOLFB from which the balances were derived at the close of the previous fiscal year. The balances of these types of funds must be returned back to the original UDOLFB to comply with funding restriction of sponsors and donors, or to retain the definitions and designations placed on the balances by the institution.

4. Year End Accounting Process for Unrestricted Operating Funds

Each Chancellor has discretion as to the disposition of unrestricted operating fund balances across his or her campus. For central units, the Responsibility Center Management (RCM) Steering Committee has discretion as to the disposition of balances of central cost pools, and Executive/Senior Vice Presidents have discretion as to the disposition of balances of non-cost pool unrestricted fund balances for their areas.

To assist each Chancellor and Executive/Senior VP in their annual review of balances, after the close of each fiscal year, the UCO will provide to each Chancellor and Executive/Senior VP area a report of prior year ending balances in each unrestricted operating fund type (see table below) by UDOLFB. Using this report, for each UDOLFB, the Chancellor and Executive/Senior VP will indicate to UCO whether the balances remain summarized at the Unit level or are returned to the originating UDOLFB.

- A. Chancellors and Executive/Senior VP's can leave balances summarized at the Unit – Fund, i.e., UUU.1510.3103.0001.FFF.9999. Leaving balances as summarized by the Oracle year end process at the Unit - Fund level provides clarity that the balance ownership within a unit remains with the leadership of that unit, such as the Dean,

- Chancellor or Executive/Senior Vice President. These unrestricted balances held summarized at the Unit - Fund level can be used to manage future operating risk in the current and/or subsequent fiscal years. These funds will have not otherwise been formally earmarked for a specific use, such as being internally designated for a documented and defined future purpose or returned to the original UDOLFB, signifying the balances are earmarked for continuing support of a specific program.
- B. Each Chancellor and Executive/Senior VP area has the option to return, in full, unrestricted operating fund balances back to any UDOLFB from which the balance was derived at the close of the prior fiscal year. If an amount other than a full balance should be returned, balances should be adjusted prior to year end as described in section 6, below. Certain UDOLFB's should never carry-over, such as UDOLFB's used for RCM cost allocations to the responsibility centers. Returning balances to the original UDOLFB would signify that the balances are earmarked for continuing support of a specific area or program within that unit, but does not limit future discretion of deans, chancellors or executive/senior vice presidents.

Based on the responses from each Chancellor and Executive/Senior VP, UCO will process an entry to return any balances which have been flagged to be returned to the UDOLFB from which the balance was derived. Otherwise, unrestricted operating fund balances will remain summarized as described in section 2 above.

5. Budgeting for the Use of Prior Year Balances:

When a unit anticipates a decline in its net position year over year due to the planned use of prior year net assets, such as to support one-time strategic initiatives or the use of equipment evergreen funds or other funds accumulated for designated purposes, the dollar amount of the planned expenditures should be budgeted in the budget only, non-operating natural account:

XXXXX-Use of Prior Year Net Assets

Account XXXXX - Use of Prior Year Net Assets is for budget purposes only. No actual funding transfer or other transacting should take place to reflect the use of prior year net assets. However, a current year funding transfer, completed per the funding transfer procedure, can be completed to support internal reporting needs.

Although noted in the budget as the anticipated use of prior year net assets, all transfers and expenditures impact current year financial reporting, including P&L's, even if the transfer or expenditure is intended to be made against balances accumulated in prior fiscal years.

6. Managing Balances Prior to Fiscal Year End Close

To facilitate the management of balances, units are encouraged to review and adjust balances across their UDOLFB's using funding transfers before fiscal year end close. These adjustments might include

- the return of unused allocations, such as university support or strategic funds allocations, back to the funding source via funding transfer or reclassification, based on the guidelines set by the funding sources
- funding transfers to move balances to internally designated funds
- clearing negative balances in cost share, recharge centers and self-supporting units

These transfers must be completed with respect to applicable procedures and guidelines.

7. Contact for Questions

Please send inquiries or questions regarding the accounting for Prior Year Balances to the Financial Management Help Desk:

Phone: (848) 445-2100

Email: finance_helpcenter@finance.rutgers.edu

APPENDIX

A. Fund Types and End of Year Process

Fund Type	EOY Process
100-Unrestricted Operating General	Unrestricted
110-Unrestricted Operating Auxiliary	Unrestricted
120-Unrestricted Endowment Principal Quasi Type 3B	Restricted/Designated/Special
130-Unrestricted Endowment Operating Quasi Type 3B	Restricted/Designated/Special
140-Student Loan University	Restricted/Designated/Special
145-Unrestricted Medical Contracts State of New Jersey	Unrestricted
150-Unrestricted Internally Designated	Restricted/Designated/Special
155-Unrestricted Recharge Centers and Research Core	Restricted/Designated/Special
160-Unrestricted Internally Designated Faculty	Restricted/Designated/Special
165-Unrestricted Internally Designated General	Restricted/Designated/Special
180-Unrestricted Capital Projects	Restricted/Designated/Special
190-Unrestricted Cost Share	Unrestricted
198-Unrestricted Year End Financial GASB Reporting	Restricted/Designated/Special
199-Unrestricted Internal Bank	Restricted/Designated/Special
210-Term Endowment Principal	Restricted/Designated/Special
220-True Endowment Principal	Restricted/Designated/Special
230-LTIP Endowments	Restricted/Designated/Special
240-Separately Invested Endowments	Restricted/Designated/Special
300-Federal Student Aid	Restricted/Designated/Special
310-Federal Grants & Contracts	Restricted/Designated/Special
315-Federal Pass Through	Restricted/Designated/Special
320-Hatch	Restricted/Designated/Special
330-Smith Lever	Restricted/Designated/Special
350-State Student Aid	Restricted/Designated/Special
360-EOF Program	Unrestricted
375-State Pass Through	Restricted/Designated/Special
380-Grants & Contracts State of NJ	Restricted/Designated/Special
385-Grants & Contracts Other States	Restricted/Designated/Special
390-Restricted Medical Contracts State of New Jersey	Restricted/Designated/Special
400-Local Municipal Grants & Contracts	Restricted/Designated/Special

Fund Type	EOY Process
500-Corporate Grants & Contracts	Restricted/Designated/Special
520-Foundations Grants & Contracts	Restricted/Designated/Special
560-Associations Other NonProfit Grants & Contracts	Restricted/Designated/Special
580-Foreign Grants & Contracts	Restricted/Designated/Special
610-Restricted Capital Projects	Restricted/Designated/Special
620-Restricted Debt Service	Restricted/Designated/Special
630-Restricted General NonGrants	Restricted/Designated/Special
640-Restricted General Grants	Restricted/Designated/Special
650-Contributions Gifts	Restricted/Designated/Special
700-Restricted Endowment Operating Term & True & Quasi Type 3A	Restricted/Designated/Special
710-Restricted Endowment Principal Quasi Type 3A	Restricted/Designated/Special
720-Restricted Endowment Operating from Externally Held	Restricted/Designated/Special
750-Student Loan Federal	Restricted/Designated/Special
760-Student Loan State	Restricted/Designated/Special
800-Agency Funds	Restricted/Designated/Special
900-Net Investment in Capital Assets	Restricted/Designated/Special
999-Interface Only	Restricted/Designated/Special