

Lehigh University
Controller's Office
Budget Balance vs. Fund Balance

The University receives funds from many sources such as tuition, gifts, endowment earnings, investment income, grants, etc. The funding source may restrict the use of the funds (e.g. endowment gift) or may not (e.g. tuition). Indexes are managed either by budget balance or fund balance depending upon the type of index. The anticipated source and use of the funds determines what type of index will be created. The index number is given to a financial manager to keep track of revenues, expenses and transfers in the operating, grant and encumbrance ledgers of both University budgeted indexes and externally funded indexes and to keep track of fund balances in the general ledger of externally funded indexes.

The general ledger of each fund displays beginning and current balance sheet accounts; assets, liabilities and fund balances. It also displays summary revenue, expenditure, transfer, encumbrance and budget totals for the current fiscal year. The operating ledger keeps track of accumulations from July 1 to June 30, the University's fiscal year. By starting an index at \$0 on July 1, the University is able to keep track of how much is received or spent during a fiscal period. The grant ledger keeps track of accumulations from a beginning date until an ending date. Project indexes also begin at \$0, however, these indexes accumulate to the end of the project period so the total project amounts can be identified. The encumbrance ledger keeps track of funds set aside for future commitments such as paying employee salaries or paying vendors for the purchase of goods or services.

Funds received from unrestricted sources such as tuition and investment earnings are allocated through the budget process. Individual indexes are established in which a budgetary allocation is made for a specific purpose. Since the funds received from unrestricted sources are not physically transferred into these individual indexes they do not have individual fund balances. For University budgeted indexes, (1XXXXX, 2XXXXX), individuals responsible for these indexes need to keep track of the budget balance of the operating and encumbrance ledgers using Banner form FGIBDST, Organization Budget Status Form.

Sponsored Programs and Plant Funds are budgeted for the entire project which may span more than one fiscal year. Individuals responsible for sponsored program indexes (529999-599999) need to keep track of the budget balance of the grant and encumbrance ledgers using Banner form FRIGITD, Grant Inception to Date Form. Individuals responsible for Lehigh Ben Franklin projects (selected indexes in 59XXXX range) which are funded from private sources also need to keep track of the fund balance in the general ledger using Banner Form FGITBSR. Individuals responsible for plant fund indexes (7XXXXX) need to keep track of the budget balance in the grant and encumbrance ledgers and the fund balance in the general ledger using Banner forms FRIGITD and FGITBSR, Trial Balance Summary Form.

Individuals responsible for other indexes need to keep track of the fund balance in the general ledger using Banner Form FGITBSR. They may wish to identify a spending plan (a budget) to assist in the management of the funds; however the resulting budget balance available is subordinate to the fund balance available in the index. They can keep track of the budget available in the operating and encumbrance ledgers using Banner form FGIBDST.

A positive fund balance and a positive budget available balance must be maintained. Index descriptions and ranges are as follows. For detail as to what factors determine what range an index is in see "Understanding Lehigh's Chart of Accounts".

Index Description	Index	Manage By
University Budgeted (U)	1XXXXX, 2XXXXX	Budget Balance
Designated(U)	6XXXXX	Fund Balance
Financial Aid (U)	45XXXX Endowment Spending	Fund Balance
	4XXXXX all other	Fund Balance
Liaison/Special Projects (U)	500000-528000	Fund Balance
Gifts, Grants, Contracts-Other (U)	45XXXX Endowment Spending	Fund Balance
	4XXXXX all other	Fund Balance
Sponsored Programs (U)	529000-589999	Budget Balance
Lehigh Ben Franklin (U)	59XXXX	State-Budget Balance Private-Fund Balance
Plant (U)	7XXXXX	Budget Balance and Fund Balance
Agency (U)	9XXXXX	Fund Balance