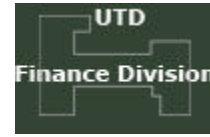




Accounting for Unexpended Plant Fund & Investment In Plant



1.0 PURPOSE

The purpose of this procedure is to provide guidance on the recording and reporting of Plant and Investment in Plant Funds transactions.

2.0 SCOPE

This procedure covers accounting for transactions in Unexpended Plant Fund, Investment in Plant fund, capital equipment and library books.

3.0 DEFINITIONS

Building

A structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. Straight-line depreciation method (historical cost minus residual value divided by useful life) is used for buildings. Residual value is equal to 1% of cost. The capitalization threshold is \$100,000.

Building Improvement

Capital events that materially extend the useful life of a building or increase its value, or both. A building improvement should be capitalized and recorded as an addition of value to the existing building if the expenditure meets the capitalization threshold. Straight-line depreciation method (historical cost minus residual value divided by useful life) is used for buildings. Residual value is equal to 1% of cost. The capitalization threshold is \$100,000.

Capital Equipment

Purchased or donated items with an estimated value or purchase price of \$5000.00 or greater and having an estimated useful life of one year or greater. Straight-line depreciation method (historical cost minus residual value divided by useful life) is used for equipment. Residual value is equal to 1% of purchase price.

Facilities and Other improvements

Facilities are assets that are built, installed or established to enhance the quality or facilitate the use of land for a particular purpose. Other improvements are enhancements made to a facility or to land. Straight-line depreciation method is used for facilities and other improvements. The capitalization threshold is \$100,000.

Infrastructure and Infrastructure improvements

This is a long lived capital asset that normally is stationary in nature and can be preserved for significantly more years than most capital assets. Infrastructure assets are often linear and continuous. Improvements are capital events that materially extend the useful life or increase the value of the infrastructure, or both. Straight-line depreciation method is used for infrastructure and infrastructure improvements. The capitalization threshold is \$500,000.

Investment in Plant Fund

This fund consists of capital assets and associated liabilities for buildings, capital equipment, construction in progress, land and improvements other than land. This fund excludes assets that have been pledged or transferred to Endowments. Such assets are reported in the Endowment Fund. The investment in plant assets are recorded in the general ledger in the following account range: 079XXX18XX. Please refer to the chart of accounts for details.

Investment in Plant Ledger

A range of six digit General Ledger accounts starting with 079XX established for the purpose of recording and reporting capitalized assets.

Land

Land is the surface that can be used to support structures and may be used to grow crops, grass, shrubs and trees. Land has an unlimited life and does not depreciate over time. All land is capitalized.

Land Improvement

Consist of site preparation and site improvements (other than buildings) that ready land for its intended use. The costs associated with improvements to land are added to the land value. Land improvements have an unlimited life and do not depreciate over time. All land improvements are capitalized.

Library Books and Reference materials

Books are generally literary compositions bound into a separate volume and identifiable as a separate copyrighted unit. Reference materials are information sources other than books that provide information essential to learning or that enhance the quality of the library. Straight-line depreciation is used. Books and materials are capitalized if the annual purchase meets the \$5,000 threshold.

Object Codes

Four digit account numbers which describe the type of expense or revenue.

Property Control System

Spartan is the name of the system used by Property Administration to maintain UTD Capital and Controlled property records. Files are created from Spartan and transmitted to the State Property Accounting (SPA) system to update state maintained property records.

PUF

Permanent University Fund Bond Proceeds, source of Unexpended Plant funding.

RFS

Revenue Financing System Bond Proceeds, source of Unexpended Plant funding.

STF

Short Term Fund Investment Account centralized at UTIMCO for all components.

Subsidiary Ledger

Revenue and Expense Ledger

Unexpended Plant Fund

This fund consists of unexpended resources derived from various sources to finance the acquisition of long-lived plant assets. The expenditures for the Unexpended Plant funds are recorded in the following range of accounts:

Account Range	Source of Funds
773100-773299	Tuition Revenue Bonds
775001-775999	Other Sources
770001-771999	Permanent University Fund Bond Proceeds (PUF)
770750-770799	PUF - Repair and Rehabilitation Allocations
770501-770599	PUF - Bond Proceeds - Library & Equip. Allocation
772001-772999	Revenue Financing System Bond Proceeds (RFS)

UTIMCO

University of Texas Investment Management Company.

4.0 PROCEDURES

4.1 Recording of Unexpended Plant Funding

Office of Finance receives information on source and amount of funding through correspondence from University of Texas System, the Budget Office or the Office of Vice President for Business Affairs. The following accounting entries are made to record PUF and RFS funding:

- Dr. 07XXXXX1360 - Where the first six digits of account represent the project general ledger account, and the last four digits indicate receivable from System.
- Cr. 07XXXXX4720 - Where the first six digits of account represent the project general ledger account, and the last four digits indicate the addition to the fund balance.

Unexpended Plant projects that are funded from other than PUF and RFS sources are funded through a funds transfer transaction. The information for these transactions comes from the Budget Office or from the Vice President for Business Affairs.

4.2 Budgeting of Unexpended Plant Funds Projects

Budgets for Unexpended Plant Funds Projects are recorded in FINS by Finance using screen number 10. It is a single entry transaction. To record a budget, debit 7XXXXXX6900. All budgets are recorded against equipment object code. Budget adjustments are made on screen number 10 also, but the entry may include a debit and a credit, when a budget is moved from one account to another. The account is debited to increase a budget, and credited when the budget is decreased.

4.3 Processing Expenditures

The authority to expend funds is reflected on the signature authority list. Purchasing ensures that signatures on purchase requisitions comply with the signature authority list. Requisitions submitted against accounts that have not been budgeted or accounts with budget deficits are forwarded to General Accounting for review and dispositions.

4.4 Billing

PUF and RFS funds are held at UT System. UTD pays the expenses that are funded with these funds through local banks. On a monthly basis, Office of Finance bills System for all paid expenses incurred during the month. The billing information comes from FBMO92 report. The billing summary and invoice forms are maintained on a linked Excel spreadsheet. The invoices are approved by the Director, Accounting & Treasury, and faxed to System. System deposits (STF) the payment on Thursday for reimbursement requests received by Monday of the same week. Once the payment is received, the following entry is made:

- Dr. 016312-1211 STF Short Term Fund account @ UTIMCO
- Cr. 07XXXX1360 Unexpended Plant Fund Project Receivable (Due from System)

4.5 Reporting

4.5.1 Plant Funds Status Report

The report is prepared by Office of Finance on a monthly basis. It reports for each project the S/L account, the authorized amount, total cumulative costs, total outstanding commitments, and balance at month-end, with comments if appropriate. It is available for discussion with Budget and other Business Affairs personnel at periodic Facilities construction status meetings.

4.5.2 Annual Financial Report (AFR)

Refer to the Reporting Requirements for Annual Financial Reports of State Agencies and Universities from the State Comptrollers Office.

4.6 Closing Project Accounts

When all fiscal activity for the project has been completed (no fund balance, no encumbrances), Finance will freeze and then close the S/L and G/L accounts.

4.6.1 Capitalization Entries/Construction-in-Progress

Capital expenditures (selected 69XX and 70XX object codes) are capitalized in the Construction-in-Progress (CIP) account 1860 annually using the assigned 079XXX G/L accounts. Projects are reviewed and those that are still in progress at 8/31 remain in CIP. Projects deemed to be complete and placed in service at 8/31 are cleared (credited) from the CIP account 1860 and are closed (charged) to the respective fixed asset object codes: Buildings 1810, Facilities & Other 1804, Infrastructure 1820. Equipment that is partially paid for and not yet placed in service at 8/31 is corrected to object code 6905 and treated/reported as CIP also. Equipment is cleared back to the appropriate Equipment

object code, e.g. 6912, when it is deemed to be placed in service, and then is subject to the Equipment process described below.

4.6.2 Depreciation of Capitalized Costs

Depreciation for equipment is recorded monthly with the month the equipment is acquired receiving half month depreciation. The useful life for each class of equipment is predetermined by the State of Texas Comptroller's Office. Residual (salvage) value for equipment is set at one percent of the total original cost.

Effective in FY2007, library book depreciation is calculated monthly during the fiscal year using the property control system. The UT System method of calculating depreciation for library books is used at fiscal year end. Depreciation expense is adjusted as needed. Library books are depreciated using 180 months useful life and have no residual value.

Collections are not depreciated and have no residual value.

Buildings have been componentized and depreciated over their remaining normal lives. Depreciation is recorded monthly for existing buildings using the depreciation schedule. Finance estimates depreciation for new buildings coming on line in the current fiscal year using project costs and estimated move in date. These accrual estimates are reversed in August when building costs have been componentized and a more accurate depreciation cost is calculated.

Facilities and infrastructure depreciation is recorded monthly for existing assets using the depreciation schedule. Finance estimates depreciation for assets coming on line in the current fiscal year using project costs and estimated service date. These accrual estimates are reversed in August when asset costs have been finalized and a more accurate depreciation cost is calculated.

4.7 Capital Equipment Reconciliation

Capital equipment acquisitions are recorded in the subsidiary ledgers with selected object codes 69XX. The transactions are reviewed by the Property Accountant when the capital items are received in order to obtain the purchase price for the Property database and reconcile the daily equipment expenditures with equipment items received. Any noted discrepancies are corrected by completing and processing an account or object code correction journal entry.

4.7.1 Reports Used to Reconcile Capital Equipment

On a monthly basis the Property Accountant generates Property Control System reports that: show equipment expenditures by Tag Number, report cumulative equipment balances by G/L code, and report disposals, discovered assets, and transferred assets.

4.7.2 Reconciliation of Capital Equipment Expenditures

Using the Property Control System reports, the Property Accountant compares the equipment expenditures in the FINS subsidiary ledger to the amounts reported by the Property Control System. Any differences will be one of two types. (1) Corrections to the subsidiary ledger are submitted on a general journal entry form and processed in accordance with procedure, or processed using an Auto JE. (2) Corrections to items in the Property Control System will be keyed directly to the system. An audit trail of all transactions to any property in the Property Control System identifies the user making the adjustment. A formal reconciliation document is prepared monthly and signed by Property Accountant and reviewed by supervisor. Equipment not yet placed in service will be corrected to CIP object code 6905.

4.7.3 Recording Capitalization Entries

Equipment capitalization entries are recorded annually by Office of Finance. The effect of the capitalization entry is to increase or decrease the existing General Ledger balances to match the reconciled amounts in the Property system "GL Account" report. The cumulative totals by asset category are compared to the cumulative totals by asset category in the General Ledger (report FBMO94). The difference between the two amounts represents the adjusting entry. Increases to equipment are booked as debits to object code 18XX and credits to fund addition 46XX in the appropriate General Ledger account. Decreases to equipment are booked by crediting object code(s) 18XX and debiting fund deduction, object code 56XX.

4.7.4 Recording Asset Disposals

All surplus, obsolete and damaged assets are delivered to the Property Administration Surplus Building with the exception of disposed library books and materials. Property Administration personnel will identify the asset and determine disposition. Disposal method codes are recorded in the control system for each asset affected. The library informs property accountant of the number of disposals and an average cost per item is determined and netted against the addition in the property control system. Missing and Stolen assets are determined from departmental physical inventories and coded as such in the control system. Missing assets are to be considered lost for at least two years before being coded as stolen. The financial impact of the removal of assets can be determined by the Property Accountant using control system data queries to accumulate totals by removal types for use in annual financial reporting.

5.0 RESPONSIBILITIES

Property Administration has the responsibility for; capturing all data for assets classified by the State of Texas as "controlled," the integrity of data maintained in the Property Control System and for transmitting changes to the State Property Accounting (SPA) system.

The Property Accountant of the Office of Finance has the responsibility for entering funding information for Capital Assets into the Property Control System, and relying on the integrity of that information for the classifications, dispositions, write-offs and transfers of assets.

Property Administration has the responsibility for assuring the integrity of data and the availability of required report programs to enable the comparison, by Office of Finance personnel, to FINS report FBM095.

The Property Accountant of the Office of Finance has the responsibility for timely resolution of any differences in capital expenditures identified by reconciling the reports identified above by making Adjusting Journal Entries or by making corrections in the Property Control System.

The Property Accountant of the Office of Finance has the responsibility for resolving, on a timely basis, any questions or discrepancies that require Journal Entries identified by Property Administration.



Finance Division: (972) 883-2602

© 2007 [The University of Texas at Dallas](http://www.utdallas.edu). All rights reserved.