PLANT ACCOUNTING: STATE CAPITAL PROJECTS

Contents

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> "An act making appropriations for the support of the government of the State of California and for several public purposes in accordance with the provisions of Section 12 of Article IV of the Constitution of the State of California, and declaring the urgency thereof, to take effect immediately."
>
> --State Budget Act

I. INTRODUCTION

This chapter sets forth University policy and outlines specific accounting procedures for State-funded capital outlay appropriations, expenditures, and encumbrances. The procedures also include guidelines concerning funding from non-bonds, general obligation bonds, revenue bonds, and certain special bonds.

II. GENERAL

State capital outlay appropriations are made available to the University of California by specific line-items as contained in the State Budget Act (Budget Act) for each fiscal year. State appropriation account numbers (account range 100800 - 100999) are assigned by the Office of the President - General Accounting Office (General Accounting). To obtain cash from the State Treasury for capital outlay expenditures, pursuant to Budget Act line-item authorizations, General Accounting submits to the State Controller's Office monthly cash advance claims drawn against specific appropriation item(s). These claims include a certification that the funds requested are needed to meet the University's current capital outlay obligations.

Cash advances received from the State Controller are transferred by General Accounting to the campuses to be credited to the appropriate plant reserves. At that time, the State Controller's Office records the payment made to the University as an advance against a specific appropriation's item number. Subsequently, the campuses and General Accounting submit to the State Controller a No Warrant State Claim(s) (State Claim) which substantiates by subitem(s) the expenditure of these advances. *Any inaccuracies that occur in charging expenditures to a project appropriation could result in a State audit disallowance and a requirement that the money be returned.*

To ensure that the University disburses State appropriations in accordance with the applicable law, it is recommended that persons having responsibility over capital funds familiarize themselves with the provisions of each year's Budget Act.

III. PLANNING AND DEFINITIONS

A. PROJECT PLANNING GUIDE

Projects over $250,000 are considered major projects. Expenditures of these capital outlay funds must be made pursuant to the scope of the approved Project Planning Guide (PPG) for the project for which funds have been appropriated. The PPG is used by the University and the State to describe the scope of the project. It provides that the University must use funds appropriated by a specific line-item only to accomplish the scope of a project, as contained in the approved PPG. Prior to the release of working drawings and construction funds to a plant expenditure account, this understanding is reaffirmed when approval is obtained from the State Public Works Board.

B. DEFINITION OF TERMS

The following definition concerning the use of support funds for construction projects is found in section 6 of the Budget Act:

* No more than $35,000 of the funds appropriated for support purposes may be encumbered for preliminary plans, working drawings, or construction of any project for the alteration of a State building unless the Director of Finance determines that the proposed alteration is critical and that it is necessary to proceed using funds appropriated for support purposes. The maximum cost of any such project shall not exceed $250,000, and any approved critical project costing
* more than $35,000, but not greater than $250,000, shall be reported to the Chairperson of the Joint Legislative Budget Committee or his or her designee, not less than 30 days prior to requesting bids for the project.

The following definition of terms is found in section 3 of the Budget Act:

Preliminary plans are defined as a site plan, architectural floor plans, elevations, outline specifications, and a cost estimate. For each utility, site development, or conversion and remodeling project, the drawings shall be sufficiently descriptive to accurately convey the location, scope, cost, and nature of the improvement being proposed.

Working drawings are defined as a complete set of plans and specifications showing and describing all phases of a project, architectural, structural, mechanical, electrical, civil engineering, and landscaping systems to the degree necessary for the purposes of accurate bidding by contractors and for the use of artisans in constructing the project. All necessary professional fees and administrative service costs are included in the preparation of these drawings.

Construction, when used in connection with a capital outlay project, shall include all such related things as fixtures, installed equipment, auxiliary facilities, contingencies, project construction, management, administration, and associated costs.

Minor projects include design, working drawings, construction, improvements, and equipment projects.

IV. APPROPRIATIONS

A. ALLOCATIONS

Allocations of State appropriations to the campuses are contained in the Budget Act, which generally is approved by July of each year. Specific projects are identified in the Budget Act by chapter number, year, item, and subitem numbers. After the Budget Act is passed, General Accounting sends the accounting officers a list of the chapter and item numbers in the Budget Act and the related University fund numbers. Separate University fund numbers are established for unique multi-campus projects, such as minor capital improvements. University Fund numbers are established for projects that have similar State fund numbers and lapsing dates. For example, all construction and equipment funded from the same State fund number would have the same University fund number.

Budget Act allocations generally are not funded until University expenditures are reported; however, State funds for plant projects are drawn down in advance by General Accounting, in anticipation of such expenditures.

B. RELEASE OF FUNDS

State appropriations are budgetarily recorded in the Plant Reserve fund and Unreleased Projects or Released Project expenditure accounts, upon approval of the Budget Act. Projects requiring further State authorization, e.g., submission of working drawings to the Department of Finance for approval and the release of funds for construction, are recorded in Unreleased State Project. The budget entry is recorded as follows:

Dr.	Plant Reserve	X-100XXX-00XXX
Cr.	Unreleased State Project	X-9X90XX-00XXX

Accounting offices respond to individual State Public Works Board (SPWB) approvals communicated to Chancellors through the Provost and Senior Vice President--Academic Affairs (Academic Affairs) by preparing budgetary entries debiting the Unreleased State Project account and crediting the project account for the approved amount. If an account is new, the accounting office must prepare a manual of accounts (Form UFIN 1530), or similar form. Special coding is entered on the form to ensure that the item and subitem are listed correctly on the quarterly State Claim Listing prepared by local campus data processing centers.

C. FUND ADVANCES

On a monthly basis, General Accounting draws down funds from the State and transfers the funds to the campus using the State Claim for Reimbursement form (Form UFIN 161). For projects funded by general obligation bonds, the advance claim may include several campuses. For Revenue Bond projects, advances are separately claimed and controlled by line items in the State budget. State internal control procedures limit the amount of advances a construction project may receive. The calculation of the amount of funds advanced is based on a number of factors, including the original draw down schedule, current spending patterns, and anticipated expenditures. General Accounting should draw down enough funds to meet expenditures for the current month.

Advance claims funded from non-bonds and general obligation bonds are sent directly to the State Controller's Office. Advance claims funded from Revenue bonds and specific bonds are sent to Contracted Fiscal Services which forwards them to the State Controller's Office upon approval.

The campus records a credit in a fund balance using transaction code 1000 for non-bond and general obligation bonds or transaction code 5000 for multi-campus revenue bonds. For campus specific revenue bonds, such as Energy Efficiency bonds, the campus records the credit as a decrease (credit) to the trustee cash account.

V. EXPENDITURES

Capital outlay expenditures must be made in accordance with the following guidelines:

A. EXPENDITURE MUST BE FOR SPECIFIC PROJECTS

Each appropriation item or subitem shall be authorized by General Accounting only for the purpose specified in the Budget Act. Appropriations for major projects are not interchangeable either between or within projects unless approved by the State and Academic Affairs.

B. *QUALIFYING* CONTROL LANGUAGE

All expenditures for a construction project must be made in accordance with any *qualifying* control language imposed by the Legislature at the time the funds are made available in the Budget Act; otherwise, the University could be subject to an audit disallowance.

C. MINOR CAPITAL FUND TRANSFERS

Chancellors and the Vice President--Agriculture and Natural Resources have been delegated authority, with certain limitations, to transfer funds between State approved minor capital improvement projects in cases where an adjustment between projects becomes necessary. The following limitations shall apply to such transfers:

1) The transfer must be between approved minor capital improvement projects within the same Budget Act.

2) The transfer must not change the purpose or scope of a project.

3) The dollar amount of funds to be transferred is limited to 25% of the funds budgeted for the project initiating the transfer. The transfer may not increase the funding to a total exceeding the current ceiling for minor capital improvements (currently $250,000).

4) The transfer of any surplus funds not within the above parameters requires concurrence from Academic Affairs.

The allocation, expenditure, and transfer of minor capital improvement funds must be accounted for in sufficient detail to permit campuses to prepare the reports required by General Accounting and the State. Each calendar year, Academic Affairs must prepare an annual post-audit report for the Joint Legislative Budget Committee detailing State minor capital improvements funded by the preceding year's Budget Act. Instructions concerning the campus information required for this report, including submission requirements and changes in reporting requirements, is sent to campuses annually.

D. PRIOR EXPENDITURE(S)

No expenditure is valid if it was incurred, or work was performed, prior to the effective date of the appropriation. For example, assume that an appropriation is made available to a campus by the 1997 Budget Act (which becomes effective as of July 1, 1997) and that a consultant, who was retained under a contract dated on or prior to June 30, 1997 to provide technical services in the development of the project, submitted an invoice for work done prior to July 1st. Under such circumstances, it is unlawful to pay for these services from the 1997 Budget Act appropriation, and the amount of such a payment would be subject to audit disallowance. If the consultant provided services on or after July 1, 1997, however, the 1997 appropriation could be used as a proper source of payment for work done in the 1997-98 fiscal year.

The State Budget is usually retroactive to July 1 even if the Governor signs the Budget at a later date. However, a campus must commit its own funds if expenditures are incurred after July 1 but prior to the signing of the Budget or prior to approval of funding by the voters. The campus would then be required to fund these expenditures if the item is "blue lined" by the Governor or if funding is not approved by the voters.

(For the purposes of this discussion, it is assumed that there is no further State approval or authorization needed to spend the funds.)

E. PERIOD OF AVAILABILITY

The *period of availability* of funds is defined as the period of time during which expenditures and encumbrances may be made to finance the development of a project for which a State appropriation is made. The period of availability of funds for a capital appropriation commences as of July 1 of the fiscal year in which funds are appropriated by the Budget Act. The duration of the period is usually specified in each year's Budget Act.

In general, funds are available for a three-year period for expenditure and encumbrance for ***construction***, and ***acquisition*** of a major capital outlay project and the purchase of ***equipment***. Funds are available for a one-year period for expenditure and encumbrance of funds appropriated for ***preliminary planning***, ***working drawings, study***, and ***minor capital outlay*** projects. The funds with the longest period available should be used when projects have more than one appropriation on a particular line item.

During the period of availability of funds, a campus must either expend the appropriated funds (payments to contractors, consultants, vendors, suppliers, authorized University departments, etc.) or encumber them. Both the expending and the encumbering processes must leave acceptable audit trails. The last day of the period of availability, June 30th, (of the first or third year) is referred to as the *lapsing date* of the funds. After this date no additional encumbrances can be placed against appropriations that have expired; however, the University has two additional years to expend the encumbered funds. (There are exceptions to this provision as indicated in sections VI. E. and F, Adjustments and Liquidation.)

It is ***always*** necessary to refer to the Budget Act provisions and the State Reconciliation Report to determine the period of availability of funds for a particular appropriation.

Exhibit A contains a graph showing the period of availability of funds from State capital appropriations.

F. PRIORITY OF EXPENDITURES

With respect to projects with multiple funding sources, the priority of expenditures is very important and should be considered at all times to ensure that funding is not lost, that funds authorized are used properly, and that the funds are used in the sequence most advantageous to the University.

Projects that receive authorizations from two or more State funds should expend funds with the earliest lapsing date first (usually the oldest appropriations).

Projects also may be funded from a combination of sources including donation, State, University or borrowed funds. In general, where no specific restrictions are placed on any of these funds, it is preferable to apply expenditures first against donation funds, followed by State funds, University funds, and borrowed funds. However, this general rule may not always be applicable, because in some instances, it is preferable to spend State money first because of the lapsing dates or to increase the earnings on the donation funds. In addition, penalty payments may be required on some bond funds if the funds are not spent within a specified period of time. Therefore, plant accountants should review plant expenditures periodically with the above considerations in mind. All decisions on the priority of expenditures should be coordinated with the accounting officer.

If it is determined that charges were made against funds in an improper sequence, an adjusting journal entry should be made to record the charges against funds in the appropriate sequence.

G. VALID EXPENDITURES

An expenditure is valid only if the encumbrance associated with it was initiated before the lapsing date of the period of availability of funds. After the lapsing date, no additional encumbrances are permitted against uncommitted project fund balances.

For example, assume that a campus has a 1994 State appropriation with a period of availability of funds from July 1, 1994, through June 30, 1997, and that an unencumbered balance exists as of June 30, 1997. It is proposed that a consulting agreement be recognized as an encumbrance against this balance. If the campus executes an agreement dated July 1, 1997, or thereafter, services performed pursuant to that agreement cannot be paid from the 1994 appropriation because any unencumbered funds in existence as of the lapsing date must revert to the State Treasury.

An exception may be made if a campus requests a reappropriation, through Academic Affairs, and the request is approved by the State. This request should be made during the original period of availability.

** H. ADMINISTRATIVE AND CONTINGENCY COSTS

For State-funded projects, the total of administrative and contingency costs should not exceed the total construction costs by more than 18% for new construction and 20% for renovation projects. In order to conform to the rules for such projects, certain expenditures may be classified as other than administrative and recorded in Sub 8, Special Items. For example, if a project requires a traffic consultant because of heavy traffic, the amounts paid to the consultant can be recorded in Sub 8. The use of Sub 8 must be approved by the Director of State Capital Planning, Office of the President.

I. NO WARRANT STATE CLAIMS

At the end of each quarter, No Warrant State Claims (State Claims) are submitted in support of advances obtained during the quarter. These claims are prepared by campus accounting offices, and are sent either to the State Controller, Contracted Fiscal Services, or General Accounting. Generally, the only claims sent to General Accounting, for forwarding to the State Controller, are claims for minor capital projects and for programming and preliminary plans. Normally, the only State Claims sent to Contracted Fiscal Services are SPWB Revenue Bond projects.

A State Claim is prepared using a No Warrant State Claim form (Form UFIN 162). When preparing a Form UFIN 162, refer to the letter from General Accounting that lists chapter and item numbers from the Budget Act with corresponding University fund numbers. Up to eight characters for the schedule number are allowed on the form. The first two characters are the letters CX (Capital Expenditures). The next two characters are the campus abbreviation. For example, the Davis campus can use D or DA. This abbreviation aids General Accounting and the State Controller in identifying the campus submitting the claim. The campus can develop its own sequence for the remaining numbers.

Information needed to complete columns PGM, ELE, COMP, and TASK on Form UFIN 162 can be extracted from the State Controller's Office Agency Reconciliation Report.

In the section entitled Memorandum Claim--Not for Reimbursement, the beginning balance should be the amount indicated in the Budget Act, even though this amount may differ from the final appropriation made by Academic

Affairs. This amount should only change if there is an augmentation by the State. The beginning balance, less previous accounting, should agree with the amount on the State Controller's Office Agency Reconciliation Report which is sent monthly to the campus plant accountant. The accounting office should reconcile this report to the campus general ledger and total State Claims submitted.

A subitem may not be overclaimed under any circumstances. If a fund within an account is overdrawn, the overdraft must be transferred to other funds in the same account. Amounts charged to an account in error should be transferred to the correct account. In all cases, the balance on the Fund Summary must be reconciled.

State Claims for credit amounts should not be submitted to the State under any circumstances. Credit amounts should be offset against future State Claims or sent to General Accounting for special handling.

A Claim Schedule Signature Authorization card must be kept on file with the State Controller's Office for anyone who signs a State Claim.

Claim detail consisting of two or more separately totaled sheets must include a calculator tape. The following guidelines apply only to State Claims submitted to the State Controller's Office or Contracted Fiscal Services: when there are ten or more pages of detail with a State Claim, the claim must be bound together at the top by a ribbon or cord, which must pass through holes punched in the documents, and tied in a bow knot at the back of the claim. If the detail is less than ten pages, the claim can be stapled. *The claim will not be processed if the documents are held together by a paper clip or rubber band.*

When original detail documentation cannot be included with the State Claim, the following statement must be attached to each page:

> "This bill has been checked against our records and found to be the original one presented for payment and has not been paid. We have recorded this payment in order to prevent a duplicate payment."

Form UFIN 162 consists of two white pages, a pink page, and a yellow page. The two white pages, with a listing of expenditures attached, are sent either to General Accounting, the State Controller, or Contracted Fiscal

Services, as appropriate. The pink page, with supporting documentation and a reconciliation to the general ledger fund summary, must be forwarded to General Accounting. (See Exhibit B for a sample reconciliation.) The yellow page is retained for campus files.

J. CLAIMS DEADLINE

State Claims are due in General Accounting or the State Controller's Office no later than the 15th day of the second month following the end of a quarter. For example, claims for the quarter ending June 30 should be received no later than August 15.

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VI. ENCUMBRANCES

Encumbrances are defined as obligations incurred in the form of contracts, purchase orders, interdepartmental requisitions, and similar items that become payable when goods are delivered or services are performed. A valid plant encumbrance can be recorded in the general ledger only if there are sufficient unencumbered funds available in the project to cover the amount. A document to encumber funds, initiated by the campus architects and engineers office and accepted for processing by the accounting office, should meet other requirements in accordance with the approved Capital Improvement Budget, including timely establishment of the encumbrance during the period of availability of funds. These requirements, plus encumbrance for the *lag* and liquidation of encumbrances, are discussed below.

A. ESTABLISHMENT

An encumbrance must be established during the period of availability of funds. Funds authorized for allocation to a campus plant expenditure account by Academic Affairs include a lapsing date. After this date, further fund commitments are not authorized, except at the direction of Academic Affairs. All valid encumbering documents must be dated on or before the lapsing date. Every effort should be made to ensure that the accounting office receives such documents as early as possible prior to the end of the fiscal year.

In considering the timeliness of a commitment, any State audit will be based on the ***final*** June 30th copy of the plant expenditure account. All encumbrances that remain unliquidated as of June 30th of the year in which the period of availability of funds terminates must be reviewed by the campus prior to or upon receipt of the preliminary June general ledger, in order to determine whether the encumbrances are valid obligations of the University and whether the amounts encumbered are accurate or require adjustments that must be reflected in the final June 30th general ledger.

B. BASIS FOR ESTABLISHMENT

The approved University of California Project Capital Improvement Budger (Budget) is included in the PPG which contains an itemized statement of anticipated project expenditures. Insofar as these items relate to construction, supervision (internal and external), and other special items necessary for the successful completion of a project, the campus architects and engineers office should take action during the period of availability of funds to identify and encumber separately the amounts necessary for the project. These encumbrances are established by contract amounts, or upon the execution of interdepartmental requisitions by the campus architects and engineers office, in amounts not greater than the amounts listed in the approved Budget. An encumbrance may be established for estimated architect and engineer expenses to be incurred during the *guarantee period* which follows the completion of a project.

C. ENCUMBRANCE FOR THE *LAG*

While most items are encumbered on the basis of purchase orders, consultant contracts, construction contracts, requisitions, etc., some project capital expense items cannot be so encumbered. These include, but are not limited to, architect and engineer recharges, overhead burden, freight charges, use tax, etc. The campus architects and engineers office may encumber an amount representing its best estimate of a project's outstanding obligations, as of the end of the period of availability of funds. This estimated amount, referred to as the *lag*, shall be considered as a valid encumbrance on the last day of the period of availability of funds, and must be included with all other valid encumbrances when determining the amount of a project's unencumbered balance. To establish the amount of the *lag* against the project's authorized funding, the campus architects and engineers office is required to submit to the accounting office, during the period of availability of funds, an interdepartmental requisition(s) with an accompanying explanation, if necessary, specifying the amount(s) to be considered as the *lag*.

D. ENCUMBERING DOCUMENTS

Encumbering documents relating to capital outlay appropriations are listed below:

1) Purchase Orders (including change orders)

2) Contracts (including change orders)

   a) Brief form
   b) Short form
   c) Long form

3) Agreements (including all authorizations)

   a) Architects
   b) Engineers
   c) Consulting
   d) Other (specialist)

4) Interdepartmental requisitions or orders

   a) Physical Plant (Construction and Repair) or equivalent
   b) Interdepartmental Order and/or Charge (IOC) or equivalent
   c) Other (e.g., personnel time sheets)

E. ADJUSTMENTS

After an encumbrance has been established, adjustments can not be authorized during the two year period following the lapsing date of the period of availability of funds, with the following exceptions:

1. Substitution of vendors when the original vendor cannot comply with the request contained in the original encumbering document. Under such circumstances, the old encumbering document may be cancelled and a new one processed, provided that the new encumbering document calls for services and/or materials substantially equal in kind to those specified in the original document. The new document should be issued and processed in the same month that the original document is cancelled. For audit purposes, all copies of the new document must contain details concerning the reasons for the substitution, as well as cross-referencing information.

2. Increases, if an adjustment to the original estimate for a specified service and/or material is required as a consequence of receiving an updated quotation.

3. Decreases as a consequence of processing the expenditures as encumbered.

4. Decreases as a consequence of cancelling encumbrances.

As a general rule, as long as the adjustment does not exceed 20% of the project budget or change the scope of the project, the adjustment is allowable.

F. LIQUIDATION

In liquidating encumbrances, disbursements must be made prior to or during the two years following the last day an appropriation is available for encumbrance. If encumbrances are liquidated (cancelled) during the two-year period, the released funds must be returned to General Accounting on a timely basis, along with information indicating the reason for the cancellation. Upon the expiration of the two-year period following the lapsing date of the period of availability of funds, any outstanding encumbrances must be cancelled, and the balance of the State appropriation must be returned to the General Accounting for reversion to the State.

VII. SURPLUS FUNDS

After a project is completed and all expenditures have been reported to the State on Form UFIN 162, any unspent advances must be returned to the State.

The 1994 State Budget Act initiated a new program that allows the University to reallocate project savings (surplus funds) on some of its State capital outlay projects. The surplus funds can only be used for specific projects. Currently, the only State funds included in this program are General Obligation Bonds.

All new projects are recorded in Unexpended Plant Funds with a project number different from the original State project number.

The current program requires that project savings be used within the same period of availability as the original State appropriation (including reappropriations). Because of this requirement, the original State fund number must be used. General Accounting will continue to advance funds based on campus spending patterns. Expenditures will continue to be reported to the State on Form UFIN 162.

Once a new project is approved, General Accounting writes a letter to the State Controller's Office requesting a decrease to the original State line item and establishing a new line item and PGM, ELE, and COMP codes. After the new line numbers and codes are sent to the campus, the campus can begin claiming reimbursement for expenditures. The other information from the original appropriation remains the same on the new State Claim.

VIII. ACCOUNTING PROCEDURES

Capital outlay projects are funded by the State in three ways: direct financing, State general obligation bonds, and State revenue bonds. Direct financing and State general obligation bonds are accounted for in the same way because no debt is recorded in the University's general ledger. However, the University does record the full liability of State revenue bonds and related unspent cash held by the State.

A. DIRECT FINANCING AND GENERAL OBLIGATION BONDS

The procedures detailed below must be followed in accounting for direct financing and general obligation bonds. General Accounting advances the funds to the campus which records the transfer as an addition to the fund balance. When funds are received from the State, they are deposited in the Treasurer's cash account and credited to campus financial control. The campus then prepares the following entry:

Dr. OP Financial Control	X-119500
Cr. Plant Reserve	X-100XXX-00XXX-1000

The campus prepares quarterly State Claims which are sent to General Accounting or the State Controller's Office. The two white pages of Form UFIN 162, with a listing of expenditures attached, is sent to the State Controller's Office at the following address:

State Controller
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

General obligation bonds require voter approval. Therefore, even when a project is included in the State budget, the project cannot proceed until the bond measure is approved by the voters. The University does not record a liability or make debt service payments on the general obligation bonds.

Occastionally, special projects are funded outside the normal State capital appropriations. For example, in November 1988, the voters approved Proposition 99, the Tobacco Tax and Health Protection Act of 1988 (AB75), which imposed an additional tax on cigarettes equal to twenty-five cents per package and an equivalent amount for all other tobacco products sold in California. The revenue from this tax, which is earmarked for indigent

Periodically, General Accounting prepares a journal to transfer these costs to the campus, as follows:

Dr. SPWB Bond Reserve	J-100XXX-00XXX-5000
Cr. SPWB Bond Prepaid	J-1001XX-00XXX

The campus responds by preparing a campus journal crediting the fund balance with a 5000 transaction code entry and charging a non-construction project expenditure account, as follows:

Dr. State Capital Expenditure	X-9XXXXX-00XXX-XXXX
Cr. SPWB Bond Reserve	X-100XXX-00XXX-5000

If the liability and trustee cash are recorded by the campus, the project expenditure account can be charged directly, as follows:

Dr. State Capital Expenditure	X-9XXXXX-00XXX-XXXX
Cr. SPWB Bond Trustee Cash	X-1000XX-00XXX

The campus may also be required to prepare a budget journal for these costs.

Either General Accounting or the campus prepares a State Claim for Reimbursement requesting reimbursement for payments of debt service and administrative costs. When the campus receives the funds from the State, the following entry must be made to record the income and the transfer of funds to Retirement of Indebtedness:

Dr. Financial Control	X-119500
Cr. State Appropriation	X-2XXXXX-XXXXX
Dr. Unexpended Balance	X-119850-XXXXX-0544
Cr. State Capital Lease	X-1017XX-017XX-3045

State administrative costs are charged to the campus as other miscellaneous deductions, as follows:

Dr. State Capital Lease	X-1017XX-017XX-2998
Cr. Financial Control	X-119500

Funding for debt service is either transferred to General Accounting or recorded by the campus. When the campus is responsible for recording the liability, it is also responsible for the debt service payment. In this case, the following entries are made:

Dr. SPWB Trustee Cash	X-1016XX-017XX
Cr. Cash	X-1XXXXX

The following entry is made by General Accounting when debt service payments are disbursed by the Office of the President:

Dr. SPWB Trustee Cash	J-1016XX-017XX
Cr. SPWB State Lease	J-1017XX-017XX-5100
Dr. Campus Financial Control	J-1195XX-0900X0
Cr. Cash	J-110000

The campus must prepare the following entry in response to the above entry:

Dr. State Capital Lease	X-1017XX-017XX-5100
Cr. Financial Control	X-119500

After the bond holders are paid, the entry to decrease the trustee cash account and to record the principal (P) and interest (I) amounts is made as follows:

Dr. SPWB State Lease (P)	X-1017XX-017XX-2190
Dr. SPWB State Lease (I)	X-1017XX-017XX-2290
Cr. SPWB Trustee Cash	X-1016XX-017XX

By June 30th, the campus or General Accounting must adjust the liability account in Investment in Plant for the principal payments.

The administrative costs paid by General Accounting are charged to the campus, as follows:

Dr. Campus Financial Control	J-1195XX-0900X0
Cr. Cash	J-110000

The campus must prepare the following entry in response to the above entry:

Dr. State Capital Lease	X-1017XX-017XX-2998
Cr. Financial Control	X-119500

** A listing of equipment funded by State Revenue Bonds (with a short description of each item) must be submitted to Contracted Fiscal Services within two months of submission of the final no warrant claim to the State. For non-inventorial items, use general descriptions, such as "glassware," "lab furniture," "office furniture," etc. Items under $500 can be grouped together.

**Addition 6/30/97

C. STATE PUBLIC WORKS BOARD ENERGY PROJECTS

The Office of Energy Assessments (OEA) has a program to fund energy efficiency projects from the sale of SPWB bonds, which requires that projects be completed within three years after the sale of the bonds. The annual repayment is 90% of the estimated purchased utilities savings generated annually by each project, beginning with the first fiscal year after the project is completed. After the loan has been repaid, the purchased utility savings will be shared equally by the University and the State. These projects have no lapsing date on the funds other than bond restrictions.

Funds received for energy conservation capital projects are recorded in a fund within the borrowed funds range assigned by General Accounting. Such funds are not recorded under State appropriation funds. The State can now temporarily finance these projects with PMIA loans or notes of anticipation. The State allocates the funds by project when SPWB sells bonds. This allows the campus to record the trustee cash and the liability.

The accounting for PMIA loans, notes of anticipation, and bonds is similar. To set up the cash account and the liability amount, the following entry is made:

Dr. Trustee Cash	X-1000XX
Cr. Fund balance	X-101XXX-01XXX-1550

The campus must request a reimbursement of expenditures on a monthly basis. According to the requirements for SPWB projects, special instructions for preparing a State Claim for Reimbursement of expenditures is prepared by General Accounting. The documentation for the claim may be supported by a copy of the campus project expenditure ledger. STIP interest expense resulting from the negative cash balance is reimbursable by the State and should be included in the claim. The proceeds received from the State for STIP interest expense should be credited to the expenditure account.

The Schedule Number in the upper right hand column of Form UFIN 161 should be EBXX####; EB and XX are the abbreviations for Energy Bonds and the campus, respectively. The signs #### represent sequential numbers. Campuses may use a copy of the detail from their ledger as supporting documentation for the claim.

Each time a Form UFIN 161 is submitted to the State, General Accounting will inform the campuses if a Transfer of Cash form is required. The Transfer of Cash Form must be signed by someone authorized to sign a UFIN 161. For some temporarily funded PMIA loan funded projects, the loan is not for the full approved budget amount. When this is the case, the campus plant accountant is required to request additional loan funds from OEA. (OEA should be allowed up to two months for processing such a request.) At the time of the request, the plant accountant should know the estimated cash needs for the succeeding twelve months. Questions concerning PMIA loans should be addressed to OEA or General Accounting.

The white copies of the State Claim for Reimbursement, the detail, and the Transfer of Cash form must be sent to:

Contracted Fiscal Services - General Services
1325 "J" Street, Room 1510
Sacramento, CA 95814

General Accounting codes the State Claim for Reimbursement on the Treasurer's Report to the campus financial control. In response, the following financial journal entry should be made by the campus:

Dr. OP Financial Control	X-119500
Cr. Trustee Cash	X-1000XX-0XXXX

The approved project amount should be appropriated even though this amount may differ from the total funds available. Investment income earned on the balances held by the State funds the difference between the appropriation and the funds available.

During the construction period, campuses are invoiced by OEA for the reimbursement of such costs as State staff salaries, outside consultants, etc. The campus should review the invoice. If OEA does not receive a negative response within thirty days, it pays the invoice from the project construction account. SPWB also charges the projects for capitalized interest expense and credit it for interest income. As payments are made from the trustee cash account, the following financial journal entry is made by the campus to record interest and administrative costs:

Dr. Plant Expenditures	X-9XXXXX-01XXX-XXXX
Cr. Trustee Cash	X-1000XX-01XXX

At fiscal year end, during the construction phase, campuses should record as a liability, in account 101981, the total amount borrowed from the State, including expenditures paid by SPWB. After the project is completed, the liability amount on the general ledger should equal the total outstanding loan.

Any remaining interest income, unexpended construction funds, or reserve amounts in the State Cash account will be used to pay the final principal payment. The campus should record interest income in Retirement of Indebtedness using investment account number 101612 and fund number 01796. The financial journal entry is made as follows:

Dr. SPWB Energy Bond St Cash	X-101612-01796
Cr. SPWB Energy Bond Reserve	X-101796-01796-1305

Periodically throughout the year, General Accounting sends a schedule reporting the balance of the State Cash account. Campuses are responsible for reconciling the State Cash account to the University ledger and making any necessary adjustments. Any remaining unexpended construction funds and reserve amounts should be recorded in the Investment in Plant liability account and Retirement of Indebtedness investment subaccount, as follows:

Dr. Investment in Plant	X-101999-01990
Cr. SPWB Energy Bond Liab.	X-101981
Dr. SPWB Energy Bond St Cash	X-101612-01796
Cr. SPWB Energy Bond Reserve	X-101796-01796-3500

Debt service payments are made semi-annually. The State disburses the Energy Efficiency Revenue Bond debt service payments directly from the University's appropriation, thus eliminating the requirement for claiming reimbursements from the State. General Accounting approves all payments prior to distribution of the payments and informs the campuses of the amounts. The campuses must use this information to record the revenue and debt service payments. The following entry should be made to record the State revenue and the transfer to Retirement of Indebtedness funds:

Dr. Unexpended Balance	X-119850-XXXXX-X-0544
Cr. State Appropriation	X-2XXXXX-XXXXX

The transfer from current funds to the bond cash account is recorded in the Retirement of Indebtedness fund group. These funds must be recorded in a bond cash account because the debt service payments may not equal the principal and interest payments made to bond holders. The entry is as follows:

Dr. SPWB Energy Bond St Cash	X-101612-01796
Cr. SPWB Energy Bond Reserve	X-101796-01796-X-3045

The actual debt service (per the amortization schedule provided by Contracted Fiscal Services), should be recorded by using transaction code 2191 for principal and 2291 for interest, as follows:

Dr. SPWB Energy Bond Reserve	X-101796-01796-X-2191
Dr. SPWB Energy Bond Reserve	X-101796-01796-X-2291
Cr. SPWB Energy Bond St Cash	X-101612-01796

By fiscal year end, the campus must adjust the liability account in Investment in Plant for the principal payments made during the year.

After the project is completed, administrative fees are paid and claimed for reimbursement by General Accounting. These payments are charged and credited (for the revenue) to campus financial control accounts.

Surplus construction funds may be used to fund debt service provided the project was not been closed out. As projects near completion, the campus should notify General Accounting to ensure that surplus funds can be used effectively.

D. STATE SPECIAL REPAIRS

On occasion, the State designates in the University's current operations budget large sums of general fund support for special repairs. These funds are normally used for deferred maintenance rather than capital expenditures. Due to the special nature of these projects, however, campuses can account for them in the Unexpended Plant Funds subgroup.

After the campus receives approval to proceed with a project, the plant accountant prepares a budgetary entry debiting State Appropriation Fund 00997 for 1997-98 projects, and 00998 for 1998-99 projects, etc., and crediting plant expenditure account 9XXXXX.

Semi-annually, including at fiscal year-end, the campus accounting office ***must*** transfer these plant expenditures to a current fund account which is classified as "Operation and Maintenance of Plant." Fund number 19911 is used to account for these expenditures. The financial journal entry should be made as follows:

Dr. Expenditures-Current Fds	X-64XXXX-19911-XXXX
Cr. Plant Expenditures	X-9XXXXX-0099X-XXXX

For control purposes, the appropriation in the plant expenditure account should be decreased by the amount of the expenditure transfer.

Transaction code 9700 should be used if the expenditure can be capitalized. At the end of the fiscal year, the following entry is made to capitalize Current Funds expenditures:

Dr. Individual Asset Accts	X-1018XX-01990
Cr. Invested in Plant	X-101999-01990

Refer to Accounting Manual chapter P-415-1, Plant Accounting: Capitalization of Expenditures Made from Current Funds, for more information.

Claims made against State General Funds should be submitted to the State, under Budget Act Item 6440-001-001, subitem (a), fund 19911, using the procedures in effect for claiming State support. At the time of submission, the campus records the credit from the claim in an income account X-2XXXXX-XXXXX and sets up an appropriate current fund receivable. (The income credit should not be put in unexpended plant funds.) The entry should be made as follows:

Dr. A/R State Appropriation	X-111XXX-XXXXX
Cr. State Appropriation	X-2XXXXX-XXXXX

The campus records the proceeds from the State as follows:

Dr. OP Financial Control	X-119500
Cr. A/R State Appropriation	X-111XXX-XXXXX

As with all State General Funds Appropriations, unexpended funds must be encumbered by June 30 of the year appropriated and spent within the next two years. Any liens in the plant account should be transferred to current funds and accounted for as State Support liens at year-end, i.e., funded and carried forward. In the new year, the liens should be transferred back to the plant account (fund 00997). The expenditures made against these liens should not be claimed in the new year. In December and June of the second year, the plant expenditures from both funds (00997 and 00998) should be transferred to fund 19911.

IX. RESPONSIBILITIES

Accounting officers are responsible for ensuring that the appropriation is approved prior to awarding a contract, and that commitments and expenditures for major and minor projects are made within the established limitations.

X. REFERENCES

Accounting Manual chapters:

P-415-3 Plant Accounting: Investment in Plant

P-415-5 Plant Accounting: Retirement of Indebtedness

P-415-8 Plant Accounting: Unexpended Plant Funds

Director Donald L. Alter, Memorandum to Accounting Officers on Revised Reporting Procedures for Energy Efficiency Bond Projects, June 7, 1989.

Principal Accountant Ken Strangfeld, Memorandum to Plant Accountant Staff (applicable to all campuses) on Energy Efficiency Projects, February 9, 1990.

Director Donald L. Alter, Memorandum to Accounting Officers on State Funded Debt Service, February 21, 1990.

Historical note: This chapter supersedes chapter P-415-21, Plant Accounting: State Appropriations, Expenditures, and Encumbrances, and updates the material formerly contained in that chapter. Accounting Manual chapter first published 11/1/88; revised: 3/1/90, 12/30/94, 12/30/95, and 6/30/97; analyst--Ken Strangfeld

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P-415-5   Plant Accounting: Retirement of Indebtedness

P-415-8   Plant Accounting: Unexpended Plant Funds

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Historical note: This chapter supersedes chapter P-415-21, Plant Accounting: State Appropriations, Expenditures, and Encumbrances, and updates the material formerly contained in that chapter. Accounting Manual chapter first published 11/1/88; revised: 3/1/90, 12/30/94, and 12/30/95; analyst--Ken Strangfeld

EXHIBIT A: PERIOD OF AVAILABILITY OF STATE CAPITAL APPROPRIATIONS

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                 Additional Approval   Period of Availability From Date of State Budget Act*
Appropriation    Required to Release    July 1  June 30  June 30  June 30  June 30  June 30
   Purpose             Funds             1995    1996     1997     1998     1999     2000

                                          |--------|--------|--------|        |        |
Acquisition             None              |________|________|________|________|________|
                                          |        |        |        |        |        |
                                          |        |        |        |        |        |
                                          |--------|        |        |        |        |
Study            Allocation by            |________|________|________|        |        |
                 Academic Affairs                  |        |        |        |        |
                                          |        |        |        |        |        |
                                          |        |        |        |        |        |
                                          |--------|        |        |        |        |
Minor Capital    Allocation by            |________|________|________|        |        |
Projects         Academic Affairs                  |        |        |        |        |
                                          |        |        |        |        |        |
                                          |        |        |        |        |        |
                                          |--------|        |        |        |        |
Preliminary             None              |________|________|________|        |        |
Plans                                     |        |        |        |        |        |
                                          |        |        |        |        |        |
                                          |        |        |        |        |        |
                                          |........|        |        |        |        |
Working          Approval of Prelim.      |--------|        |        |        |        |
Drawings         Plans by SPWB, and       |________|________|________|        |        |
                 Release of Funds         |        |        |        |        |        |
                 by DOF**                 |        |        |        |        |        |
                                          |        |        |        |        |        |
                                          |        |        |        |        |        |
                                          |........|        |        |        |        |
Construction     Approval of Working      |--------|--------|--------|        |        |
                 Drawings by DOF,         |________|________|________|________|________|
                 and Release of Funds     |        |        |        |        |        |
                 by DOF                   |        |        |        |        |        |
                                          |        |        |        |        |        |
                                          |        |        |        |        |        |
                                          |--------|--------|--------|        |        |
Equipment               None              |________|________|________|________|________|
                                          |        |        |        |        |        |

 ____________________________
|                            |
| DOF Release     . . . . .  |
| Validly Commit  - - - - -  |
| Expend          _________  |
|____________________________|
```

*Example for 1995-96 Fiscal Year.
**State of California Department of Finance (DOF)

EXHIBIT B: CAMPUS RECONCILIATION OF PLANT CLAIMS FOR THE QUARTER ENDED XX-XX-XX

Claim Number	Chapter	Item	Fund	Sent To	Claim Amount	Fund Detail Summary Total	Comments
Total					$	$	

Reconciling items not claimed:

Code for "Sent To" Column:

S = State Controllers
CA = General Accounting
GA = General Services Contracted Fiscal Services

EXHIBIT C: STATE CLAIM FOR REIMBURSEMENT FORM UFIN 161

End.