General:

The plant group of funds is divided into four individual fund groups: unexpended plant funds, funds for retirement of indebtedness, funds for renewal and replacement, and investment in plant funds. Descriptions of each follow.

Unexpended Plant Funds:

Unexpended Plant Funds are funds which have been authorized for capital project (i.e. construction) purposes. The funds are accounted for on a project or appropriation basis. The primary source of funds for capital projects is by legislative appropriation from the State of Alaska. Appropriations may be from direct capital appropriations or they may be the result of bond referendums. Another source of funds for capital projects may be revenue bond sales designated for specific construction projects. Other potential sources of funds for Unexpended Plant Funds are public or private grants or gifts. Prior to the initiation of projects utilizing public or private grant or gift funds, it is necessary for the university to seek approval for the funds’ utilization from the State of Alaska, Office of Management and Budget and from the State of Alaska, Legislative Budget and Audit Committee.

Unexpended Plant Funds are generally available for the duration of a project. Expenditures are limited to those that directly benefit the project as cited in its documentation, i.e. the appropriation, bond election or grant or gift documents. At the start of a project, the Facilities Design and Construction Office will devise a project budget which must be entered into the accounting system to control project expenditures. The capital project funds which are granted for books and/or equipment and which are not integral to the physical structure of a facility are generally administered at the local unit level, while funds granted for construction projects are administered per Board of Regents’ policy and regulation concerning capital project approvals. The expenditure of capital funds (i.e. unexpended plant funds) must be in accordance with the language in the bill authorizing the project or in the budget request submitted by the university. The budget request becomes part of an appropriation’s authorizing bill when the request is approved. In the cases of other sources of funding, expenditures must conform to the respective grant, gift or revenue fund documents. Unexpended Plant Funds are accounted for in fund group 500000.
Funds for Retirement of Indebtedness:

Retirement of Indebtedness Funds are funds established for payment of debt service and to accumulate reserves for the payment of debt. Retirement of Indebtedness Funds, i.e. debt service funds, may be established by bond covenants, other debt instrument requirements, legislative action or voluntary transfers from current funds (unrestricted and restricted funds).

All payments of long-term debt are accounted for through the Retirement of Indebtedness Funds. Accounting for debt service payments consists of charging current funds, or a reserve established in the Retirement of Indebtedness Fund Group, while the actual debt payments are made from the Retirement of Indebtedness Funds.

The assets in the funds are invested and earnings on the investments, in the absence of contrary language in the authorizing documents, go to increment the available funds for debt service. The accounting for the investment of debt service funds is done by Statewide Fund Accounting. Separate funds are established for each debt issuance. Retirement of Indebtedness Funds are accounted for in fund group 600000.

Funds created by voluntary transfers require routing through the university’s debt manager and approval by the Vice President for Finance and respective MAU Vice Chancellor. At a minimum, the underlying debt must have a remaining term of three years at the time of set up, unless otherwise approved by the Vice President for Finance. Requests to utilize funds must be approved by the MAU Vice Chancellor and then forwarded through the debt manager to Statewide Fund Accounting, so that they can process the debt payment.

Renewal and Replacement Funds:

Renewal and Replacement (R&R) Funds represent funds which have been set aside to provide reserves for the renewal and replacement of capital assets. To the extent practical, the capital asset or group of capital assets being reserved for must be identifiable. Additions to Renewal and Replacement Funds arise from mandatory and voluntary transfers from current funds and income and gains on investments of these funds. The transfers may arise from designations by a Chief Financial Officer, the Board of Regents, or from agreements with outside agencies such as trustees under revenue bond indentures.
R&R Funds may not be established for a capital asset or a group of capital assets with a cost basis less than $50,000 and/or a remaining useful life less than three years, unless otherwise approved by the Vice President for Finance. There may be different methodologies used to set aside funds. The concept of depreciation is a common approach, whereby the calculations are based on the expected life of various building systems, such as roofs or heating, ventilation and air conditioning systems. In another example, the annual depreciation on a major piece of equipment would be the basis so that funds are accumulated to replace it. Full funding the reserve based on the depreciation or other reasonable methodology is encouraged, but not required.

Requests to establish a Renewal and Replacement fund must be approved by the Vice President for Finance and respective MAU Vice Chancellor. Renewal and Replacement Funds are accounted for in fund group 700000 and regular transfers to the funds are administered by each MAU. The assets in the funds are invested and earnings on the investments, in the absence of contrary language in the authorizing documents, go to increment the available funds for renewals and replacements. Investment of the funds is handled by the Controller’s Office or through a designated trustee.

Requests to utilize R&R funds must be approved by the Vice President for Finance, or designee, and then forwarded to Statewide Fund Accounting. No direct expenditures should be recorded in an R&R fund. Transfers will be recorded by Statewide Fund Accounting from the R&R fund to the appropriate fund to cover the expenditures.

Investment in Plant Funds:

Investment in Plant Funds is a fund classification established to record the capital assets of the university and liabilities associated with debt e.g. general revenue bonds. As assets are acquired either through the use of current unrestricted or current restricted funds or through the use of Unexpended Plant Funds or in rare cases, other funds, the assets are recorded in the Investment in Plant Funds account by a debit to the asset account and a credit to the fund balance account. Any long-term debt is initially recorded in a similar manner by a credit to the liability account and a debit to fund balance. The accounting for the fund group is done by Statewide Fund Accounting. Investment in Plant Funds are accounted for in fund group 800000.