

Lehigh University Controller's Office – Capital Asset Accounting Establishing and Monitoring Plant Funds

The plant funds group consists of: (1) unexpended plant funds, (2) funds for renewals and replacements, (3) funds for the retirement of indebtedness, and (4) investment in plant. In addition, the University established a single member limited liability company, South River Investments LLC, in FY2016 for the purpose of purchasing, developing and maintaining certain South Bethlehem properties in support of community development efforts.

Unexpended Plant Funds in General:

The purpose of the Unexpended Plant funds subgroup (7xxxxx, Fund Type = 97) is to account for the resources, liabilities, and expenses associated with projects involving the construction and renovation of long-lived physical assets. All unexpended plant funds that are created for construction and/or renovations to Lehigh University owned buildings must have a staff member from Facilities Services or Facilities Planning as the project manager.

A majority of Facility Services and Auxiliary Services plant fund projects are identified in the annual budget which is submitted to the Board of Trustees for approval each spring. The annual budget also has a line item for contingencies and unplanned projects. The contingency/unplanned project budget line item is deposited in the respective reserve. Any unplanned project initiated during the year is subject to the approval limits below.

A funding source must be identified prior to the creation of the plant fund project. Funding sources may include Renewal and Replacement Reserves, donors, bond issues, and transfers from University unrestricted support. If the project is to be funded by fund raising, documentation substantiating the expense budget and the agreed-upon fund raising effort should be attached.

The Controller's Office will analyze all unexpended plant expenditures to determine if they meet the University's guidelines for capitalization (see Capitalization Policy).

Unexpended Plant Fund Approval Thresholds:

The establishment and funding of any new Unexpended Plant Fund is subject to the following reviews and approvals:

- Approval by the Financial Manager of the index providing the funding
- Verification by the Budget Office of the current and future funding sources, subject to current University guidelines on fundraising for capital projects
- Review by Controller's Office for compliance with donor restrictions, accounting requirements, and approval thresholds (below)

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Requests to create new Unexpended Plant Funds are submitted via the online index create process and are subject to the following financial approval thresholds. The Budget Office is copied on all Plant Fund index creates, including indexes that are below the Budget Office financial approval threshold.

Plant Funds Initiated by Auxiliary Services:

Up to \$50,000	Residential Services Director
\$50,001-\$100,000	Executive Director of Student Auxiliary Services
Up to \$5,000,000	Vice President of Finance and Administration

Plant Funds Outside of Auxiliary Services*:

Up to \$50,000	Facilities Services Directors
Up to \$100,000	Budget Director
\$50,000 - \$500,000	AVP Facilities or approved in the Capital Budget
Up to \$5,000,000	Vice President of Finance and Administration

All Plant Funds

\$5,000,001 and over	Board of Trustees approval
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*In addition to the above approval thresholds, the Dean (or comparable position) must approve the project and accept responsibility for the funding before the fund is created. This authorization is obtained on the Facilities Services "Project Request Form".

When creating funds for the purpose of a feasibility study, the approval limits will initially be based solely on the projected costs of the study. Should the AVP of Facilities determine that the feasibility study will proceed to the design phase and will exceed the original approval threshold, he/she will update the relevant approver (including an update to the CPO and/or Finance Committees of the Board of Trustees if appropriate) and obtain the designated approvals at that time.

Creation or Modification of Unexpended Plant Funds:

Requests for New Banner Plant Fund Indexes should be sent to the Financial Analyst, Capital Asset Accounting in the Controller's Office for processing. All index create requests should be in writing; telephone requests will not be accepted.

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Requests for index modifications (such as changes in financial manager, title, or authorized signer) or funding and budget transfers should be forwarded by the Financial Manager to Capital Asset Accounting in writing; e-mail will be accepted.

Funding and/or budget increases that exceed the project's current approval threshold must be approved by the next level of financial approval.

Unexpended Plant Fund Oversight:

The Budget Office is responsible for monitoring the budget and fund balances for Unexpended Plant Funds within the plant fund ranges 771xxx, 772xxx, and 777xxx and will ensure that the necessary budget/funding transfers are recorded with Capital Asset Accounting.

Capital Asset Accounting is responsible for monitoring deficit fund balances within the plant fund range and will contact the Financial Manager and/or Budget Office (for 771xxx, 772xxx and 777xxx funds) regarding any necessary funding transfers and budget adjustments. Financial Managers are notified by report on a monthly basis of any project that is in deficit.

Approval levels for all plant fund budget variances are consistent with the financial approval thresholds above, including the need for Dean (or comparable position) approval.

Capital Asset Accounting is also responsible for terminating projects as directed by the Financial Manager. Financial Managers are notified by letter on a monthly basis of the projects expected to terminate within the next month. Financial managers are requested to terminate the project or to request that the project end-date be extended.

When funds are terminated, Capital Asset Accounting records the necessary funding transfer(s) to bring the fund balance to zero and either makes the necessary budget adjustment or coordinates the budget adjustment with the Budget Office.

Renewal and Replacement Funds:

The Renewal and Replacement subgroup (070000-079999, Fund Type = 98) is funded from fiscal year-end operating surpluses (Capital Renewal Funds and Reserves), from alumni gifts, from the operating budget as funds set aside for deferred maintenance, or by a Budget Office fiscal year-end transfer of Auxiliaries operating surplus/deficit. Funds in this subgroup are used to finance the future renewal and replacement of plant fund assets.

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Retirement of Indebtedness Funds:

The purpose of the Retirement of Indebtedness subgroup (078xxx, Fund Type = 99) is to account for debt, any investments related to retiring that debt, and the related debt service payments.

Investment in Plant Funds:

The Investment in Plant subgroup (079xxx, Fund Type = 9A) accounts for all assets that have been capitalized through the Fixed Assets System and the associated accumulated depreciation. Construction in Progress is also recorded in this subgroup. See the Capitalization Policy for capitalization thresholds.

South River Investments LLC in General:

The South River Investments ("SRI") funds (85xxxx, Fund Type=85) account for the operations of this entity, which is consolidated in the University's financial statements. SRI revenues will appear in the University's financial statements as "Other Sources", SRI expenses will appear as "Public Service" expenses.

Land and buildings that are owned by SRI are subject to the same accounting treatment under GAAP as the University's other land and buildings that are held for mission-related purposes (reported at cost and depreciated over the asset's useful life) and will be consolidated in the financial statements with the University's "Land, Buildings and Equipment".

SRI capitalized property and accumulated depreciation will appear in Banner in the consolidated Investment in Plant funds, although all SRI capitalized assets will have a unique asset type (BS) in the fixed asset system to allow for specialized reporting if necessary.

South River Investments LLC Funding and Oversight:

SRI, formed in fiscal year 2016, is expected to receive some funding support from the University's unrestricted budget for five years. The unrestricted budget support that is allocated to SRI is approved as part of the University's annual budget process. At the beginning of each fiscal year, the Budget Office will prepare an annual funding transfer in the amount of the approved budget support.

The Budget Office will oversee the budget/funding allocation and monitor any budget deficits. Consistent with expectations for all Financial Managers at the University, SRI Financial Managers are responsible for financial planning and oversight to operate within the limitations of their financial resources. The Controller's Office will monitor any fund balance deficits and follow up with the Financial Manager, Budget Office and VP Finance & Administration as appropriate if there are unresolved deficit issues.

LU Properties is the managing entity for SRI (as it is for all of the University's real estate-related corporate entities) and therefore maintains an oversight role in addition to

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the individuals listed above. Financial results for SRI will be reported to the LU Properties board during their regularly scheduled meetings. The Corporate Secretary for LU Properties (currently in the General Counsel's Office) maintains documentation regarding the LU Properties board members and officers.

Construction or renovation projects for Stabler campus real estate owned by the "LUP" entities properties will be subject to review and approval by the LU Properties board as long as these properties continue to be held as University investments.

The following South River Investments financial approval levels were established by the Board of Trustees's Campus Planning and Operations Committee. The Budget Office is copied on all South River index requests.

Authorization for the purchase and/or disposal of SRI properties:

Up to \$5,000,000	Vice President Finance & Administration
This authorization is found in the Campus Planning and Operations Committee's Responsibility Matrix.	

Note that the LU Properties LLC management agreement requires advance approval from Lehigh University (as sole member) for the disposal of "all or substantially all" of the assets of South River Investments.

Authorization for real estate development and other SRI capital projects:

Up to \$50,000	Director Real Estate Services
\$50,001-\$100,000	Executive Director of Business Services
Up to \$5,000,000	Vice President of Finance and Administration
\$5,000,001 and over	Board of Trustees approval