

## Criteria for the Management of University of Illinois Renewal and Replacement Plant Funds

**“Renewal and Replacement”** funds refer to a subgroup of plant funds as defined by NACUBO for standard college and university fund accounting charts of accounts. These funds are used to collect money and record expenditures for renewal, replacement, and extraordinary repairs of university equipment and facilities. Expenditures generally—but not exclusively—represent non-capitalized transactions. Expenditures from the Auxiliary Facility Reserve sub-range below may tend to reflect capitalized transactions for expansion due to the source of funding for this range and the wide range of potential uses to which these funds may be applied.

Renewals “maintain the service level anticipated from the asset” and renewals and replacements “involves the removal of a major part or component of a building or piece of equipment and the substitution of a different part or component with essentially the same type and with the same performance capabilities as what was removed.” Ordinary repairs and routine maintenance charges must be expended from current funds and should not be charged against Renewal and Replacement funds. NOTE: Some funds have been established using the phrase “Repair and Replacement” in their titles. To avoid misrepresentation and misunderstanding, the word “Repair” should not be used in relation to these funds.

Even though the “replacement” of movable equipment with the purchase of new moveable equipment is technically the addition of an entirely new asset and the disposal of an old asset, funds intended to be used to replace equipment that becomes obsolete may be accumulated in this range.

The Campus Construction Unit at each university - Facilities & Services at Urbana-Champaign (F&S-UIUC), Capital Planning and Project Management at Chicago (CPPM-UIC), and Facilities & Services at Springfield (F&S-UIS) - utilizes these funds to account for large capital projects that meet the definition of a renewal and/or replacement within the Finance Module of the Enterprise-Wide Resource Planning System (BANNER).

### **R&R Auxiliary Facility Reserve (funded from 9-761001) Fund Type 8N 760000 - 779999**

**History/Purpose of Separate Range:** Relates to administration of a bond issue used to finance renewals/repairs/ replacements of specific auxiliary facilities. Sources of funding come from various departmental Aux Enterprises/Self-Sup Activities pooled together to form the overall reserve. The University Accounting and Financial Reporting department (UAFR) makes transfers from unit Aux Enterprises/Self-Sup Activities funds into 9-761001 in accordance with bond requirements. The Campus Construction Unit (F&S-UIUC, CPPM-UIC, F&S-UIS) requests UAFR to process transfers from this joint fund into the individual funds in this range as needed by specific projects. Moveable equipment is not normally acquired using this range.

**Who requests creation of funds:** Campus Construction Unit (F&S-UIUC, CPPM-UIC, F&S-UIS)

**Who approves creation of funds:** Office of Capital Programs and Real Estate Services (CPRES)

**Restrictions on/conditions of funding sources:** Funded by transfers from 9-761001 only.

**Who approves transfers of funds:** UAFR calculates the required semi-annual assessment and sends out calculation to various stakeholders including CPRES

**Restrictions on use of money in funds:** Used for renewals and replacements on auxiliary facilities funded by related bond issue, as identified, planned, and managed by the Campus Construction Unit. Account code assignment is coordinated in conjunction with UAFR (plant accountants).

## Criteria for the Management of University of Illinois Renewal and Replacement Plant Funds

### R&R Departmental Remodeling Projects

Fund Type 8N

760000 - 779999

***History/Purpose of Separate Range:*** Intended for gathering/expending funds to carry out immediate, one-time repair/renewal/replacement (usually not-capitalized) projects relating to existing facilities, rather than accumulating long-term balances in anticipation of future needs.

***Who requests creation of funds:*** Campus Construction Unit (F&S-UIUC, CPPM-UIC, F&S-UIS), or department.

***Who approves creation of funds:*** Depends on funding source. See restrictions on/conditions of funding sources.

***Restrictions on/conditions of funding sources:*** Must typically be funded by ICR, Aux Enterprises/Self-Sup Activities, unrestricted Banner gift funds, or external gifts deposited directly to this plant fund range. Requests to establish funds funded with Grant funds must be directed to each University's Sponsored Program Administration Office; requests to establish funds funded with State funds must be referred to the applicable University Provost or Budget Office.

***Who approves transfers of funds:*** Depends on funding source. See restrictions on/conditions of funding sources.

***Restrictions on use of money in funds:*** The money can only be spent towards the purpose for which the account was created; expenditures are usually managed and monitored by the Campus Construction Unit with departmental oversight. Account code assignment is coordinated with UAFR plant accountants.

### R&R Administrative Allowance or ICR Reserve

Fund Type 8N

760000 - 779999

***History/Purpose of Separate Range:*** In most cases, the university's Provost requires that a "defined program" for use of the reserves be identified prior to establishment of the reserve. Separate funds for equipment as opposed to facility reserves are encouraged but are *not* required.

***Who requests creation of funds:*** Campus departments or units. Consultation with the Office of the Provost must precede creation request.

***Who approves creation funds:*** Applicable university Office of the Provost.

***Restrictions on/conditions of funding sources:*** The funding should come from ICR funds, but administrative allowance funds are allowed to fund certain projects. If units wish to use State funds for such a reserve, they must arrange transfers from State funds to ICR funds with the applicable university Office of the Provost or follow the procedures for R&R State/Income Fund Reserve below. Currently no limitations are imposed on the amount of funds that may be transferred into an ICR reserve fund, regardless of existing balances in the reserve fund, current year ICR budget and expenditures, or replacement cost of associated unit assets.

***Who approves transfers of funds:*** Applicable university Office of the Provost. Units may (but are not required to) base the amount of transfers on a percentage of the historical cost of the assets they intend to replace.

***Restrictions on use of money in funds:*** Must be expended consistently with the "defined program" identified by unit at creation of the fund. That "program" must relate to the renewal/replacement of equipment or facilities; funds can be transferred back to source of funding.

## Criteria for the Management of University of Illinois Renewal and Replacement Plant Funds

### R&R State Income Fund Reserve

Fund Type 8N

760000 - 779999

***History/Purpose of Separate Range:*** Beginning in FY11, with appropriate approval, State Income Fund funding can be transferred to a Plant Fund for the renewal/replacement of equipment or facilities that are for instruction and/or administration use.

***Who requests creation of funds:*** Campus units. Consultation with the applicable university Provost Office must precede creation request.

***Who approves creation funds:*** Vice-President & Chief Financial Officer or delegate (Associate Vice-President & Deputy Controller and Associate Vice-President, System-Wide Planning and Budgeting).

***Restrictions on/conditions of funding sources:*** The funding comes from the State Income Fund. Transfers back to the original funding sources are prohibited, except for extenuating circumstances.

***Who approves transfers of funds:*** See fund creation approvers.

***Restrictions on use of money in funds:*** Must be expended consistently with the “defined program” identified by unit at creation of the fund. That “program” must relate to the renewal/replacement of equipment or facilities that are for instruction and/or administration use; funds are rarely transferred back to source of funding. Transfers to the source of funding are always approved by the Vice-President & Chief Financial Officer or his/her delegate.

### R&R Entity Reserve

Fund Type 8N

760000 - 779999

***History/Purpose of Separate Range:*** Reserves established by certain entities that are not under indenture such as Instructional Course Activities, Professional Development Activities, and Unique Instructional Programs. Approval for these reserves must have departmental approval. It is encouraged that separate funds be established for equipment and for facility reserves.

***Who requests creation of funds:*** Departments with Self Supporting Activities (These activities always have entity codes assigned.)

***Who approves creation of funds:*** Department Fund Manager or Budget Officer

***Restrictions on/conditions of funding sources:*** Funding for a given reserve fund may originate from different funds if those funds represent the same self-supporting activity. Normally multiple funding sources will belong to the same unit, unless two or more units jointly operate the same activity.

***Who approves transfers of funds:*** UAFR Self Supporting Activities Accountant.

***Restrictions on use of money in funds:*** The money can only be spent towards the purpose for which the reserve was created, and once transferred, funds may be returned to the original source of funds, but this practice is discouraged.

## Criteria for the Management of University of Illinois Renewal and Replacement Plant Funds

### R&R Grants and Contracts Reserve

**Fund Type 8P**

**760000 - 779999**

***History/Purpose of Separate Range:*** Established at request of a university's SPA Office for purpose of monitoring reserves funded with grants or contracts to assure compliance with original grant/contract.

***Who requests creation of funds:*** University's SPA Office

***Who approves creation of funds:*** University's SPA Office maintains this range and creates the funds.

***Restrictions on/conditions of funding sources:*** Varies with terms of each grant/contract.

***Who approves transfers of funds:*** University's SPA Office

***Restrictions on use of money in funds:*** Varies with terms of each grant/contract.

### R&R Gift Reserve

**Fund Type 8P**

**760000 - 779999**

***History/Purpose of Separate Range:*** Established to record funds accumulated from gift funds or external gifts deposited directly to the R&R subgroup.

***Who requests creation of funds:*** Departments or Campus Construction Unit (F&S-UIUC, CPPM-UIC, F&S-UIS)

***Who approves creation of funds:*** Department in which the gift is restricted.

***Restrictions on/conditions of funding sources:*** Varies with terms of each gift.

***Who approves transfers of funds:*** Departments

***Restrictions on use of money in funds:*** Varies with terms of each gift.