

## REVOLVING FUND

**(The following FRS Accounting and Reporting Guidelines continue to apply to the new Peoplesoft Accounting System)**

The University Treasurer's Office manages a \$40 million revolving fund that was established in 2000 to finance assets and certain software project costs throughout the next thirty years. During the first eighteen months, proceeds resulting from the bond sale will be disbursed from the escrow account. All amounts disbursed after the first eighteen months will come from the University Treasurer's Office.

The rules of the revolving fund allow certain software project costs to be purchased that are not considered capitalized assets under the Board of Trustees fixed asset policy. Treatment of these items is different than treatment of capitalized assets and is shown separately in this document.

Interest is paid to bondholders on the first business day of each month over the next thirty years. The Treasurer's Office will remove cash from campus designated clearing accounts in order to guarantee that interest payments will be made on time. It is the responsibility of each campus to fund their campus clearing account.

The entries in this document are grouped into two types:

**(1) Budgetary Basis** – Entries to be recorded in live FRS accounts during the year. Typically, these entries impact cash and the budgets at each campus. Many of these entries will be prepared by the University Treasurer's Office and will be entered into the FRS system for Amherst, Boston and Worcester. The Treasurer's Office will receive and disburse funds from/to the Dartmouth and Lowell campuses via a clearing account in the Treasurer's FRS system. The campuses should make their budgetary basis entries in their respective accounting systems.

**(2) Accrual Basis** – Entries to be recorded in special FRS accrual accounts during the audit to bring the budgetary basis accounting system in line with the accrual basis of accounting as promulgated by the AICPA. The entries will be prepared by the University Controller's Office for all campuses and entered into the FRS system for Amherst, Boston and Worcester. The Dartmouth and Lowell campuses should make their accrual entries in their respective accounting systems. Campuses should not include fixed assets purchased by this fund in their annual adjustments to equipment, buildings and software.

**Example 1 – Sale of Bonds**

The University sells 30-year bonds for \$40,000,000 at par. The proceeds of \$38,800,000 are placed with a trustee in a revolving fund to be managed by the Treasurer's Office.

Closing costs of \$1,200,000 were incurred at the time the sale was made. The principal will be paid in one lump sum at the end of 30 years.

**(A) CENTRAL ADMINISTRATION ENTRIES**

(1) <u>Unexpended Plant Funds</u>		<u>Accrual Basis</u>
<i>Debit</i>	Cash Held by Trustees	38,800,000
<i>Debit</i>	Other Deductions	1,200,000
	<i>Credit</i> Bonds Payable	40,000,000

*(To record details of bond sale)*

**(B) CAMPUS ENTRIES**

No entry

**Example 2 – Purchase of Capitalizable Assets**

An individual campus requests that the Treasurer's Office pay a vendor \$15,000,000 from the revolving fund for equipment that qualifies for capitalization under the Board of Trustee's fixed asset policy.

**(A) CAMPUS ENTRIES**

(1) <u>Investment in Plant Funds</u>		<u>Accrual Basis</u>
<i>Debit</i>	Fixed Assets-Equipment	15,000,000
	<i>Credit</i> Bonds Payable	15,000,000

*(To record purchase of asset and to record related debt.  
This entry is made by the University Controller's Office  
in campus general ledger.)*

**(B) CENTRAL ADMINISTRATION ENTRIES**

(1) <u>Unexpended Plant Funds</u>		<u>Accrual Basis</u>	
<b>Debit</b>	Bonds Payable	15,000,000	
	<b>Credit</b> Cash Held By Trustees*		15,000,000

*(To reduce bonds payable centrally and to reduce cash held by trustees)*

\*Cash Held By Trustees for first 18 months, University Cash thereafter.

### Example 3 – Purchase of Capitalizable Assets - Reimbursement of Current Year Purchase from Current Funds

A campus requests that the Treasurer's Office use the revolving bond fund to reimburse the campus \$3,000,000 for equipment that was purchased from campus unrestricted current funds during the current year. The equipment qualifies for capitalization under the Board of Trustee's fixed asset policy.

**(A) CAMPUS ENTRIES**

(1) <u>Current Funds</u>		<u>Budgetary Basis</u>	
<b>Debit</b>	Cash (or A/R at year-end)	3,000,000	
	<b>Credit</b> Internal Clearing Liability		3,000,000

*(To record receipt (or A/R at year-end) from Treasurer's Office as an internal clearing liability in campus clearing account. This entry is made by the University Treasurer's Office in the campus general ledger for Amherst, Boston and Worcester.)*

(2) <u>Current Funds</u>		<u>Budgetary Basis</u>	
<b>Debit</b>	Internal Clearing –Contra Liability	3,000,000	
	<b>Credit</b> Expenditures		3,000,000

*(To record transfer from campus clearing account and to offset expenditures recorded at time of purchase– use special expense object code "Proceeds from Revolving Fund")*

<u>(3) Investment in Plant Funds</u>		<u>Accrual Basis</u>	
<b>Debit</b>	Fixed Assets-Equipment	3,000,000	
	<b>Credit</b> Bonds Payable		3,000,000
 (To record purchase of asset and to record related debt. This entry is made by the University Controller's Office in campus general ledger.)			

**B) CENTRAL ADMINISTRATION ENTRIES**

<u>(1) Unexpended Plant Funds</u>		<u>Budgetary Basis</u>	
<b>Debit</b>	Cash	3,000,000	
	<b>Credit</b> Other Additions		3,000,000
 (To record receipt from Revolving Fund for amounts to be reimbursed to campuses)			
<u>(2) Unexpended Plant Funds</u>		<u>Budgetary Basis</u>	
<b>Debit</b>	Other Deductions	3,000,000	
	<b>Credit</b> Cash		3,000,000
 (To transfer amounts to campus clearing accounts Note: Dartmouth and Lowell amounts will be transferred To campus)			
<u>(3) Unexpended Plant Funds</u>		<u>Accrual Basis</u>	
<b>Debit</b>	Bonds Payable	3,000,000	
	<b>Credit</b> Cash Held By Trustees*		3,000,000
 (To transfer bonds payable to campus and to reduce cash held by trustees)			
 *Cash Held By Trustees for first 18 months, University Cash thereafter.			

### **Example 4 – Purchase of Capitalizable Assets - Reimbursement of Current Year Purchase from Unexpended Plant Funds**

A campus requests that the Treasurer's Office use the revolving bond fund to reimburse the campus \$8,000,000 for equipment that was purchased from campus unexpended plant funds during the current year. The equipment qualifies for capitalization under the Board of Trustee's fixed asset policy.

#### **(A) CAMPUS ENTRIES**

(1) Current Funds Budgetary Basis

<b>Debit</b>	Cash (or A/R at year-end)	8,000,000	
	<b>Credit</b> Internal Clearing Liability		8,000,000

*(To record receipt (or A/R at year-end) from Treasurer's Office as an internal clearing liability in campus clearing account. This entry is made by the University Treasurer's Office in the campus general ledger for Amherst, Boston and Worcester.)*

(2) Current Funds Budgetary Basis

<b>Debit</b>	Internal Clearing –Contra Liability	8,000,000	
	<b>Credit</b> Cash		8,000,000

*(To transfer receipt from campus clearing account to a campus account in the unexpended plant fund group)*

(3) Unexpended Plant Fund Budgetary Basis

<b>Debit</b>	Cash (or A/R at year-end)	8,000,000	
	<b>Credit</b> Expended for Plant		8,000,000

*(To record transfer from campus clearing account in the unrestricted current fund and to offset expended for plant recorded at time of purchase– use special expense object code "Proceeds from Revolving Fund")*

(4) Investment in Plant Funds Accrual Basis

<b>Debit</b>	Fixed Assets-Equipment	8,000,000	
	<b>Credit</b> Bonds Payable		8,000,000

*(To record purchase of asset and to record related debt.  
This entry is made by the University Controller's Office  
in campus general ledger.)*

## **B) CENTRAL ADMINISTRATION ENTRIES**

<u>(1) Unexpended Plant Funds</u>	<u>Budgetary Basis</u>
<b>Debit</b> Cash	8,000,000
<b>Credit</b> Other Additions	8,000,000

*(To record receipt from Revolving Fund for amounts to  
be reimbursed to campuses)*

<u>(2) Unexpended Plant Funds</u>	<u>Budgetary Basis</u>
<b>Debit</b> Other Deductions	8,000,000
<b>Credit</b> Cash	8,000,000

*(To transfer amounts to campus clearing accounts  
Note: Dartmouth and Lowell amounts will be transferred  
To campus)*

<u>(3) Unexpended Plant Funds</u>	<u>Accrual Basis</u>
<b>Debit</b> Bonds Payable	8,000,000
<b>Credit</b> Cash Held By Trustees*	8,000,000

*(To transfer bonds payable to campus and to reduce  
cash held by trustees)*

\*Cash Held By Trustees for first 18 months, University Cash thereafter.

### **Example 5 – Purchase of Non-capitalizable Assets**

A campus requests that the Treasurer's Office pay a consultant \$5,000,000 from the revolving fund proceeds for the fit/gap phase of a software project. Under the Board of Trustee's fixed asset policy, this payment does not qualify for capitalization.

**(A) CAMPUS ENTRIES**

(1) <u>Current Funds</u>	<u>Accrual Basis</u>	
<b>Debit</b> Expenditure – Institutional Support	5,000,000	
<b>Credit</b> Bonds Payable		5,000,000

*(To record non-capitalizable expenditure and related debt in the Unrestricted Fund. This entry is made by the University Controller's Office in campus general ledger.)*

**(B) CENTRAL ADMINISTRATION ENTRIES**

(1) <u>Unexpended Plant Funds</u>	<u>Accrual Basis</u>	
<b>Debit</b> Bonds Payable	5,000,000	
<b>Credit</b> Cash Held By Trustees*		5,000,000

*(To transfer bonds payable to campus and to reduce cash held by trustees)*

\*Cash Held By Trustees for first 18 months, University Cash thereafter.

### **Example 6 – Purchase of Non-capitalizable Assets - Reimbursement of Current Year Purchase from Current Funds**

A campus requests that the Treasurer's Office use the revolving fund to reimburse the campus \$2,000,000 for the fit/gap phase of a software project that was paid for during the current year from current funds. Under the Board of Trustee's fixed asset policy, this payment does not qualify for capitalization.

**(A) CAMPUS ENTRIES**

(1) <u>Current Funds</u>	<u>Budgetary Basis</u>	
<b>Debit</b> Cash (or A/R at year-end)	2,000,000	
<b>Credit</b> Internal Clearing Liability		2,000,000

*(To record receipt (or A/R at year-end) from Treasurer's Office as an internal clearing liability in campus clearing account. This entry is made by the University Treasurer's Office in the campus general ledger for Amherst, Boston and Worcester.)*

<u>(2) Current Funds</u>		<u>Budgetary Basis</u>	
<b>Debit</b>	Internal Clearing –Contra Liability	2,000,000	
	<b>Credit</b> Expenditures		2,000,000
<i>(To record transfer from campus clearing account to a campus account and to offset expenditures recorded at time of purchase– use special expense object code “Proceeds from Revolving Fund”)</i>			
<u>(3) Current Funds</u>		<u>Accrual Basis</u>	
<b>Debit</b>	Expenditures – Institutional Support	2,000,000	
	<b>Credit</b> Bonds Payable		2,000,000
<i>(To record institutional support expenditures and to record related debt. This entry is made by the University Controller’s Office in campus general ledger.)</i>			

**B) CENTRAL ADMINISTRATION ENTRIES**

<u>(1) Unexpended Plant Funds</u>		<u>Budgetary Basis</u>	
<b>Debit</b>	Cash	2,000,000	
	<b>Credit</b> Other Additions		2,000,000
<i>(To record receipt from Revolving Fund for amounts to be reimbursed to campuses)</i>			
<u>(2) Unexpended Plant Funds</u>		<u>Budgetary Basis</u>	
<b>Debit</b>	Other Deductions	2,000,000	
	<b>Credit</b> Cash		2,000,000
<i>(To transfer amounts to campus clearing accounts Note: Dartmouth and Lowell amounts will be transferred To campus)</i>			
<u>(3) Unexpended Plant Funds</u>		<u>Accrual Basis</u>	
<b>Debit</b>	Bonds Payable	2,000,000	
	<b>Credit</b> Cash Held By Trustees*		2,000,000



*(To transfer bonds payable to campus and to reduce cash held by trustees)*

\*Cash Held By Trustees for first 18 months, University Cash thereafter.

### **Example 7 – Purchase of Non-capitalizable Assets - Reimbursement of Current Year Purchase from Unexpended Plant Funds**

A campus requests that the Treasurer's Office use the revolving fund to reimburse the campus \$4,000,000 for the fit/gap phase of a software project that was paid for during the current year from unexpended plant funds. Under the Board of Trustee's fixed asset policy, this payment does not qualify for capitalization.

#### **(A) CAMPUS ENTRIES**

(1) Current Funds Budgetary Basis

<b>Debit</b>	Cash (or A/R at year-end)	4,000,000	
	<b>Credit</b> Internal Clearing Liability		4,000,000

*(To record receipt (or A/R at year-end) from Treasurer's Office as an internal clearing liability in campus clearing account. This entry is made by the University Treasurer's Office in the campus general ledger for Amherst, Boston and Worcester.)*

(2) Current Funds Budgetary Basis

<b>Debit</b>	Internal Clearing –Contra Liability	4,000,000	
	<b>Credit</b> Cash		4,000,000

*(To transfer receipt from campus clearing account to a campus account in the unexpended plant fund group)*

(3) Current Funds Accrual Basis

<b>Debit</b>	Expenditures – Institutional Support	4,000,000	
	<b>Credit</b> Bonds Payable		4,000,000

*(To record expenditures and to record related debt. This entry is made by the University Controller's Office in campus general ledger.)*

(4) <u>Unexpended Plant Fund</u>		<u>Budgetary Basis</u>	
<b>Debit</b>	Cash (or A/R at year-end)	4,000,000	
	<b>Credit</b> Expended for Plant		4,000,000
<i>(To record transfer from campus clearing account in the unrestricted current fund and to offset expended for plant recorded at time of purchase– use special expense object code “Proceeds from Revolving Fund”)</i>			

**B) CENTRAL ADMINISTRATION ENTRIES**

(1) <u>Unexpended Plant Funds</u>		<u>Budgetary Basis</u>	
<b>Debit</b>	Cash	4,000,000	
	<b>Credit</b> Other Additions		4,000,000
<i>(To record receipt from Revolving Fund for amounts to be reimbursed to campuses)</i>			
(2) <u>Unexpended Plant Funds</u>		<u>Budgetary Basis</u>	
<b>Debit</b>	Other Deductions	4,000,000	
	<b>Credit</b> Cash		4,000,000
<i>(To transfer amounts to campus clearing accounts Note: Dartmouth and Lowell amounts will be transferred To campus)</i>			
(3) <u>Unexpended Plant Funds</u>		<u>Accrual Basis</u>	
<b>Debit</b>	Bonds Payable	4,000,000	
	<b>Credit</b> Cash Held By Trustees*		4,000,000
<i>(To transfer bonds payable to campus and to reduce cash held by trustees. This entry is made by the University Controller’s Office in campus general ledger.)</i>			
* Cash Held By Trustees for first 18 months, University Cash thereafter.			

**Example 8 – Repayment of Debt Used for Capitalizable Asset**

During the year, a campus made monthly payments totaling \$1,500,000 to the Treasurer’s Office for repayment of capital equipment purchases made from the revolving fund. Of

this amount, \$1,000,000 represented “principal” payments to the revolving fund and \$500,000 represented interest paid to bondholders. The campus payments were made from the campus clearing account. The Treasurer’s Office records \$500,000 as other additions from campus.

**(A) CAMPUS ENTRIES**

(1) Current Funds Budgetary Basis

<b>Debit</b>	Deposit with Trustees	1,500,000	
	<b>Credit</b> Cash		1,500,000

*(To record transfer to Treasurers Office for debt service from campus clearing account. This entry is made by the University Treasurer’s Office in the campus general ledger for Amherst, Boston and Worcester.)*

(2) Current Funds Budgetary Basis

<b>Debit</b>	Expenditures - various	1,500,000	
	<b>Credit</b> Cash		1,500,000

*(To record expenditures for debt service in live accounts and transfer cash to clearing account)*

(3) Current Funds Budgetary Basis

<b>Debit</b>	Cash	1,500,000	
	<b>Credit</b> Deposit with Trustees-Contra		1,500,000

*(To record transfer of cash from live accounts to campus clearing account)*

(4) Current Funds Accrual Basis

<b>Debit</b>	Mandatory Transfer – Debt Service	1,500,000	
	<b>Credit</b> Expenditures (Various)		1,500,000

*(To reclassify debt service originally recorded as expenditures to mandatory transfers. This entry is made by the University Controller’s Office in campus general ledger.)*

<u>(5) Retirement of Indebtedness Fund</u>		<u>Accrual Basis</u>
<b>Debit</b>	Retirement of Indebtedness	1,000,000
<b>Debit</b>	Interest on Indebtedness	500,000
	<b>Credit</b> Mandatory Transfer – Debt Service	1,500,000
<i>(To record “principal” and interest. This entry is made by the University Controller’s Office in campus general ledger.)</i>		
<u>(6) Investment in Plant Funds</u>		<u>Accrual Basis</u>
<b>Debit</b>	Bonds Payable	1,000,000
	<b>Credit</b> Retirement of Indebtedness	1,000,000
<i>(To record reduction of “principal” on campus books. This entry is made by the University Controller’s Office in campus general ledger.)</i>		

**B) CENTRAL ADMINISTRATION ENTRIES**

<u>(1) Unexpended Plant Funds</u>		<u>Budgetary Basis</u>
<b>Debit</b>	Cash	1,500,000
	<b>Credit</b> Other Additions	1,500,000
<i>(To record amounts received from campus monthly)</i>		
<u>(2) Unexpended Plant Funds</u>		<u>Budgetary Basis</u>
<b>Debit</b>	Interest Expense	500,000
	<b>Credit</b> Cash	500,000
<i>(To pay monthly interest to bondholders)</i>		

**(C) COMBINED UNIVERSITY – ELIMINATION ENTRY**

<u>(1) Current Funds</u>		<u>Accrual Basis</u>
<b>Debit</b>	Nonmandatory Transfers	1,000,000
	<b>Credit</b> Mandatory Transfer – Debt Service	1,000,000
<i>(To reduce mandatory transfers for principal portion because no reduction in principal will occur until the end of the fund)</i>		

(2) <u>Unexpended Plant Fund</u>		<u>Accrual Basis</u>
<b>Debit</b>	Other Addition	500,000
	<b>Credit</b> Interest on Indebtedness	500,000
<i>(To eliminate interest which is recorded twice and to eliminate other additions)</i>		
(3) <u>Unexpended Plant Fund</u>		<u>Accrual Basis</u>
<b>Debit</b>	Other Addition	1,000,000
	<b>Credit</b> Nonmandatory Transfers	1,000,000
<i>(To eliminate other additions and to record additions to the revolving loan fund.)</i>		
(4) <u>Retirement of Indebtedness Fund</u>		<u>Accrual Basis</u>
<b>Debit</b>	Mandatory Transfers	1,000,000
	<b>Credit</b> Retirement of Indebtedness	1,000,000
<i>(To eliminate principal reduction as it will not occur until the end of the bond term)</i>		
(5) <u>Investment in Plant Funds</u>		<u>Accrual Basis</u>
<b>Debit</b>	Retirement of Indebtedness	1,000,000
	<b>Credit</b> Bonds Payable	1,000,000
<i>(To eliminate principal reduction as it did not occur)</i>		

### **Example 9 – Repayment of Debt Used for Noncapitalizable Asset**

During the year, a campus made payments totaling \$1,000,000 to the Treasurer’s Office for repayment of noncapitalizable consulting costs made from the revolving fund. Of this amount, \$600,000 represented “principal” payments to the revolving fund and \$400,000 represented interest paid to bondholders. The campus payments were made from the unrestricted fund and were charged to various program expenditure classifications. The Treasurer’s Office records \$1,000,000 as other additions from campus.

**(A) CAMPUS ENTRIES****(1) Current Funds** **Budgetary Basis**

<b>Debit</b>	Deposit with Trustees	1,000,000	
	<b>Credit</b> Cash		1,000,000

*(To record transfer to Treasurers Office for debt service from campus clearing account. This entry is made by the University Treasurer's Office in the campus general ledger for Amherst, Boston and Worcester.)*

**(2) Current Funds** **Budgetary Basis**

<b>Debit</b>	Expenditures - various	1,000,000	
	<b>Credit</b> Cash		1,000,000

*(To record expenditures for debt service in live accounts and transfer cash to clearing account)*

**(3) Current Funds** **Budgetary Basis**

<b>Debit</b>	Cash	1,000,000	
	<b>Credit</b> Deposit with Trustees-Contra		1,000,000

*(To record transfer of cash from live accounts to campus clearing account)*

**(4) Current Funds** **Accrual Basis**

<b>Debit</b>	Mandatory Transfer – Debt Service	400,000	
	<b>Credit</b> Expenditures (Various)		400,000

*(To reclassify debt service for interest only from expenditures to mandatory transfers)*

**(5) Retirement of Indebtedness Fund** **Accrual Basis**

<b>Debit</b>	Interest on Indebtedness	400,000	
	<b>Credit</b> Mandatory Transfer – Debt Service		400,000

*(To record interest payments only)*

**(6) Current Funds** **Accrual Basis**

<b>Debit</b>	Bonds Payable	600,000	
	<b>Credit</b> Expenditures		600,000
<i>(To record reduction of "principal" on campus books and to reduce expenditures that were already recorded when the purchase was made)</i>			

**B) CENTRAL ADMINISTRATION ENTRIES**

(1) <u>Unexpended Plant Funds</u>	<u>Budgetary Basis</u>	
<b>Debit</b> Cash	1,000,000	
	<b>Credit</b> Other Additions	1,000,000

*(To record amounts received from campus)*

(2) <u>Unexpended Plant Funds</u>	<u>Budgetary Basis</u>	
<b>Debit</b> Interest Expense	400,000	
	<b>Credit</b> Cash	400,000

*(To pay monthly interest to bondholders)*

**(C) COMBINED UNIVERSITY – ELIMINATION ENTRY**

(1) <u>Current Funds</u>	<u>Accrual Basis</u>	
<b>Debit</b> Nonmandatory Transfer	600,000	
	<b>Credit</b> Bonds Payable	600,000

*(To eliminate principal reduction recorded by campus as it will not occur until the end of the bond term, and to transfer*

*funds to the revolving fund to be reloaned.)*

(2) Unexpended Plant Fund Accrual Basis

<b>Debit</b>	Other Addition	400,000	
	<b>Credit</b> Interest on Indebtedness		400,000

*(To eliminate interest which is recorded twice and to eliminate other additions for the interest portion)*

(3) Unexpended Plant Fund Accrual Basis

<b>Debit</b>	Other Addition	600,000	
	<b>Credit</b> Nonmandatory Transfers		600,000

*(To eliminate other additions and to transfer funds to the revolving fund to be reloaned.)*