**Capital Finance Accounting Guidelines**

The below guidelines are related to accounting within the Project Systems module in UC Flex. There are limited validation rules in UC Flex so it is necessary to follow the below guidelines when posting accounting documents for projects. Please contact the Controller’s Office with any questions on the proceeding information.

**General**
The university utilizes the Project Systems module in UC Flex to record, monitor and capitalize costs associated with:

- Construction
- Renovation
- Building equipment
- Land improvements
- Infrastructure improvements
- Building purchases
- Land purchases (unless related to endowment property)

Capital Finance is responsible for recording all commitments and costs associated with the above activities. All transactions include a plant fund (excludes P6) as the funding source and includes a WBS Element (project). This allows the capitalization/settlement process to function as designed. **Please note, any deviation from this process jeopardizes the accuracy of the university’s financial reporting.**

**Project Capitalization Determination**

- The threshold for capitalizing construction/renovation projects is $100,000.
- The Controller’s Office reviews all project budgets to determine which projects are estimated to be \( \geq 100,000 \).
  - Budgets should be kept up to date with the most current estimate.
- If budgeted capital items are \( \geq 100,000 \), the project is indicated as “CIP” on project master data in UC Flex and the project is added to the Controller’s Office construction in progress reconciliation.
- The Controller’s Office will make the final determination as to whether or not a project is to be capitalized. Therefore, accounting reclassifications of project activity may be necessary.

**Equipment Capitalization Determination**

- The threshold for capitalizing equipment is $5,000.
- Equipment purchases within projects will be capitalized through the UC Flex settlement process. Departments/colleges do not set up the asset shell.
- Equipment under 5,000 should be recorded as a non-capital item under a “40” WBS element (see detail below).
Software Capitalization Determination

- The threshold for capitalizing software is $100,000 (please notify Controller’s Office of any software purchased within a project).
- Software purchases within projects will be capitalized through the U C Flex settlement process. Departments/colleges do not set up the asset shell.

The WBS Element structure should be created as follows for each new project:

- WBS Element Structure (Projects)
  - “10” record construction activity (no transfers or revenue)
  - “20” record finance activity; only Debt Management and the Controllers’ Office will post to these WBS elements
  - “30” record activity related to equipment $5,000 or greater in order to segregate from building costs
  - “40” record non-capital activity and transfers out
  - Common non-capital costs (abatement, moving expense, non-fixed furniture items such as office cubicle walls/partitions, repairs, equipment < $5,000)
  - “70” record revenue and transfers in (i.e. grant, gifts, state appropriation revenue)

Project fund types:

- P1 state funding
  - When posting an invoice that will be paid directly by the state, make sure there are no vendor discounts taken in UC Flex.
  - Submit vouchers for reimbursement within 90 days of charges posted on a state appropriation fund.
  - The Controller’s Office reconciles state appropriations on a monthly basis.
- P2 debt funding
- P3 local funding
- P4 gift funding
  - A new P4 fund is needed for restricted gifts or transfers from gift funds.
- P5 grant funding
  - For new grants, Project Accountant should contact the Grant Administrator in Sponsored Program Accounting (SPA) with the appropriate project accounting data in order for SPA to update grant validation and derivation tables in UC Flex with WBS elements and GL account information.
  - “Not relevant” in grant field is invalid for P5 funds. A grant number must be used on account lines with P5 funds.
  - Use the appropriate functional area found in the grant master data in UC Flex; typically, FA 6 is not valid

Note: WBS elements should only be included on account lines with P1, P2, P3, P4 and P5 fund types.
Settlement Process

- Costs for capital projects are settled to an AuC asset until project reaches Phase 6. This phase signifies beneficial occupancy. At that time, the costs are settled to a final asset from the AuC asset.
- The Controller’s Office is responsible for CIP reconciliation and the settlement/capitalization process in UC Flex. Asset Management, within the Controller’s Office, coordinates the settlement of moveable equipment from Projects Systems to the final asset. Organizational units are responsible for providing information necessary to complete fixed asset master data such as responsible cost center and location for moveable equipment purchased within a project. Additionally, organizational units must provide this information timely to ensure the accounting system calculates depreciation correctly.
- The settlement process was designed for only plant fund and WBS element account assignment combinations.

Year-end

- Do not enter any invoices that will be paid directly by the state into UC Flex after the OAKS deadline in June each year. Invoices can be entered on July 1.
- Delete or post all parked invoices before the purchase order carry forward is completed on June 30th each year.
- The settlement process must be completed in 12th month before the fixed asset carry forward. Due to this requirement, any 13th month entries referencing a WBS element must be reviewed by Controller’s Office before posted in UC Flex.