

University of Missouri System Accounting Policies and Procedures



Policy Number: APM-30.10

Policy Name: Capital Pool Policy

General Policy and Procedure Overview:

The Capital Pool was created in 1994 to collect and disburse certain funds related to debt service, agent fees, audit fees, and repair and maintenance. Cash flows into and out of the Capital Pool are monitored, and investment income is earned on the basis of cash balances generated by each Capital Pool balance. The Office of the Controller records the appropriate transactions related to the receipt of funds and subsequent payment from the Capital Pool, as well as, reconciling the Capital Pool. This policy provides guidance in accounting for activity related to the Capital Pool.

Definition of Key Terms:

Agent Fees: Fees charged by entities (purchasing bank, underwriter, etc.) for services rendered in connection to the issuance of debt.

Audit Fees: Fees related to the annual System Facilities Revenue Bond Fund audit.

Detail Policy and Procedure:

Record mandatory transfers from the campuses (Debt Service):

The Controller's Office works in collaboration with the campus accounting offices annually to determine the appropriate funds to be included in the Capital Pool. The Controller's Office prepares the standard journal entry for transfer of debt service payments from campus operating funds to the Capital Pool. The debt service payments are obtained from the amortization schedules prepared by the University's financial advisors and an estimate of agent and audit fees based on previous year's fees.

Example of Debt Service Standard Journal Entry

Transaction Description	Account	Dr	Cr
Record monthly debt service transfers	861100 – Mand Trsf Out – Debt Retirement (Campus Revenue ChartField string)	X	
	391000 – Mand Trsf In-Debt Retirement (Campus fund 1050 ChartField string)		X

Funding Repair and Maintenance:

The campuses can elect to set aside repair & maintenance funds (R&M funds) in the Capital Pool to be used for future projects. The Chancellor must submit a written request for R&M funds to

be transferred to their campus. When the Controller’s Office receives the Chancellors Request, the Capital Pool ChartField string is reviewed to ensure there are sufficient funds to cover the R&R request before the Controller or Associate Controller approves the written request. With the signed approval, the Controller’s Office prepares the journal entries to transfer R&M funds to or from the Capital Pool as requested.

The campuses are responsible for a periodic (at least quarterly) review of the Capital Pool ChartField strings or the monthly reconciliations to ensure the amounts are appropriate and reasonable.

Example of Repair and Maintenance Capital Pool Journal Entry

Transaction Description	Account	Dr	Cr
Record monthly R&M transfers.	862200 – Non-Mand Trans Out-R&M (Campus operating ChartField string)	X	
	391200 – Non-Mand Trans In-R&M (Campus Fund 1050 ChartField string)		X
Record Chancellor’s request to transfer R&M funds out of the Capital Pool.	862200 – Non-Mand Trans Out-R&M (Campus fund 1050 ChartField string)	X	
	391200 – Non-Mand Trans In-R&M (ChartField string specified by Chancellor)		X

Record the Payment of Agent or Audit Fees:

Agent and audit fees are paid from the capital pool. The agent fees are charged monthly, quarterly or semi-annually depending on the entity (purchasing bank, financial advisors, legal counsel, etc.). Annual audit fees are billed in accordance with the audit engagement letter. The Treasurer’s Office receives the invoice for agent fees, initials it as evidence of review and approval, and provides it to the Controller’s Office. The Controller’s Office prepares a non-PO voucher to record the agent fees payment (see [APM 50.20 - Payables Processing](#)). Agent and audit fees are prorated to the appropriate campus and auxiliary based on its portion of the original bond issue and allocated to the appropriate Capital Pool projects.

Example of Agent and Audit Fees Journal Entry

Transaction Description	Account	Dr	Cr
Record audit and agent fee transactions by non-PO Voucher	750000 – Professional Fees (UWIDE clearing account)	X	
	190000 – Cash		X
Allocate audit and agent fees to the campuses.	750000 – Professional Fees (Campus Fund 1050 ChartField string)	X	
	750000 – Professional Fees (UWIDE)		X

	clearing ChartField string)		
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Record Investment Income:

All Capital Pool Projects with accumulated cash balances receive monthly investment income. Generally, allocations are used to record investment income; however, there are special circumstances where a manual journal entry is required.

Example of Investment Income Journal Entry

Transaction Description	Account	Dr	Cr
Record Investment Income	475000 – Investment Income (UMSYS ChartField string)	X	
	475000 – Investment Income (campus fund 1050 ChartField string)		X

Reconciliation Process:

The Controller’s Office is responsible for reconciling the Capital Pool monthly. The Capital Pool Report summarizes the General Ledger activity which is compared to the amortization schedules and the budget information for R&M.

The report is submitted to the Associate Controller for review. Once approved, the Controller’s Office distributes the report to the appropriate personnel. The departments or Accounting Offices are responsible for reviewing the monthly reconciliations and reconciling the amounts reported to budget information. Reasonability tests should be performed on the transactions. Any discrepancies or concerns with the Capital Pool balance should be reported to the Controller’s Office for follow up and recording journal entries as necessary.

Responsibilities:

Campus Accounting Office:

- Reconcile monthly reports to budgets and perform reasonability tests.
- Test transactions processed to the appropriate ChartFields.
- Research and resolve questions or discrepancies.

Controllers Office:

- Reviews and approves the monthly reconciliation of the Capital Pool.
- Approves Chancellor’s requests for distribution of funds from the Capital Pool.
- Reviews audit and agent fees and processes for payment.
- Reviews and processes requests for R&M distribution.
- Ensures Capital Pool balances are sufficient to cover draws.
- Monthly reconciliation of the Capital Pool.
- Set up allocations for investment income.
- Work with campus Accounting Offices annually to determine the appropriate funds to include in the Capital Pool.

- Prepare the standard journal entry for transfer of debt service payments from campus operating funds to the Capital Pool.

Chancellor:

- Authorizes draws from the Capital Pool

Treasurer's Office

- Receives the invoice for agent fees, initials it as evidence of review and approval, and provides it to the Controller's Office.

Effective Date: December 12, 2006

Revised Date: July 5, 2007

Questions and Comments?

Questions regarding interpretation and implementation of the Accounting Policy should be directed to the Campus Accounting Office. Suggested edits or revisions to the policy should be directed to the Office of the Controller.