

## CHAPTER 4: SECTION 1

### CAPITAL CONSTRUCTION: REGULAR

#### KEY DATES

June 30	For continuation of expiring project appropriations, all contracts must be effective on or before this date. POs should be approved and issued.
July 15	Last date to have FY10-11 POs accepted on COFRS SUSF for encumbrances to automatically roll to FY11-12. EPS users must make sure a FY11-12 zero-dollar AP document is processed to activate the APPR code or the automatic RO transaction will not accept.
July 25	CCCAS turnaround form and AP documents for reversions are due to the OSC.
August 19	CCCAS turnaround form and AP documents for continuing appropriations are due to the OSC.
Six months after authorizing legislation	Six-month certifications due to the OSC.

This chapter discusses issues related to establishing, carrying forward, and reverting spending authority for controlled maintenance and capital construction projects. A quick reference guide has been developed summarizing spending authority requirements for capital construction, as seen in Section 1.18. In addition, the Capital Construction Accounting Guidelines (revised October 1998) provide detailed guidance for managing capital construction projects and are available on the OSC web site at: <http://www.colorado.gov/dpa/dfp/sco>. This chapter also provides guidance on proper accounting for expenditures, augmenting revenues, and retainage payable related to capital construction projects. Fund 461 is used to account for all appropriated capital construction activity, and Fund 462 may be used to account for nonappropriated activity, unless otherwise approved by the OSC.

#### 1.1 Recording the New Long Bill Capital Construction Appropriations

The capital construction portion of the Long Bill is effective upon signature by the Governor, which typically occurs in May prior to the beginning of the upcoming fiscal year. As a result, capital construction spending authority must be booked in the fiscal year the bill is signed by the Governor even if there are no plans to expend any of the money until the upcoming fiscal year. This is necessary for proper budget reconciliation and financial reporting.

The OSC will establish the following central coding which is necessary for the appropriations to be booked. This includes:

- ♦ Long Bill group accumulator
- ♦ Long Bill group
- ♦ Funding source code
- ♦ Long Bill line item
- ♦ Project number

Agencies must carefully review the coded draft Long Bill and verify that appropriations for new projects have been assigned a new project number. Appropriations to an existing capital construction project should retain the original project number. Agencies are then responsible for establishing APP2 records for their capital construction projects. New appropriated capital construction projects should have an all numeric appropriation code. Appropriation codes for new nonappropriated capital projects should begin with an alpha character.

If an agency does not need the new capital construction appropriation in FY10-11, the OSC will record the appropriation as a lump sum in the agency's Fund 461 in appropriation code 999. This is referred to as the "lump sum booking" process. The intent of recording a lump sum appropriation is to ensure that current year appropriations are recorded for statewide financial reporting purposes.

If an agency needs to have a new project appropriation available in FY10-11, it must contact the OSC to establish the central coding structure. The agency will need to prepare and submit to the field accounting specialist a properly prepared and agency approved AP document with a spending authority indicator (SAI) code of "01" for Long Bill. Spending authority must be restricted until a completed SC4.1 form or "Letter of Intent" is received by the OSC as outlined in Section 1.3.

## **1.2 Recording the New Special Bill or Supplemental Bill Capital Construction Appropriations**

All Special Bill and Supplemental Bill capital construction appropriations must be booked by individual project in the year that the legislation is effective. The OSC will establish the central coding, as described in Section 1.1. The agency will need to prepare and submit to the field accounting specialist a properly prepared and agency approved AP document with a SAI code of "02" for special bills and "03" for supplemental bills. Spending authority must be restricted until a completed SC4.1 form or "Letter of Intent" is received by the OSC as outlined in Section 1.3.

## **1.3 Spending Authority Restrictions on Capital Construction Projects**

All new capital construction appropriations and new funding for existing capital appropriations (capital projects and controlled maintenance projects) are fully restricted when booked. Capital projects include both physical "brick and mortar" projects as well as information technology (IT) projects.

"Brick and mortar" projects operate under the direction of the Office of the State Architect (OSA). In order to release the restriction for "brick and mortar" projects, an agency must complete the OSA's Construction Project Application (form SC4.1). A capital project SC4.1 form must be approved by the authorized officials within the agency, forwarded to OSPB for non-higher education agencies or to the Department of Higher Education (DHE) for higher education institutions. OSPB and DHE will then forward the signed form to the OSA for signature and/or distribution and filing. Controlled maintenance SC4.1 forms should be forwarded directly to the OSA as they do not require OSPB or DHE approval. The OSC does not sign the SC4.1 form.

IT projects do not fall under the auspices of the OSA, but rather under the Governor's Office of Information Technology (OIT) as set forth in Executive Order D 016 07. In order to release the restriction for IT projects, OIT will issue a "Letter of Intent" to the State Controller to certify the project. Should the project's certification be revoked, funds for the project shall be immediately restricted.

Agencies should submit to the OSC a properly prepared and agency approved AP document to unrestrict the correct amount of spending authority. The AP document will be approved when a completed SC4.1 form or "Letter of Intent" is received by the OSC. Agencies shall use the same SAI previously used when booking the original appropriation and restriction.

All questions and problems related to capital construction accounting or budget should be referred to your agency's field accounting specialist. All questions related to the completion of the SC4.1 form should be directed to the OSA or the applicable central oversight agency, DHE or OSPB.

#### 1.4 Six-Month Rule

Agencies receiving capital construction appropriations, both capital projects and controlled maintenance projects, must comply with CRS 24-30-1404(7) which is known as the six-month rule. The purpose of the rule is to get capital construction projects started as soon as the funds are available. The statute requires, except for specific exemptions listed, that a professional services contract be executed and encumbered within six months after the appropriation becomes law. If a professional services contract is not needed, the agency must have a vendor contract encumbered within six months of when the funds are available. If the project appropriation is for equipment, a Purchase Order (PO) document should be executed and processed on COFRS within six months of when the funds are available. If the agency cannot meet the six-month rule, they may send a request directly to the Capital Development Committee (CDC) for a recommendation to the State Controller that the deadline be waived. Since the capital construction appropriation is effective upon passage, the six-month deadline for projects funded in the annual Long Bill is six months after the Governor signs the bill. For projects funded in special and supplemental bills, the six-month deadline is six months after the effective date of the legislation. The six-month rule does not apply to a capital construction project at an institution of higher education that is to be constructed solely from cash funds held by the institution.

The Capital Construction / Controlled Maintenance Project Six-Month Certification Form can be found at: <http://www.colorado.gov/dpa/dfp/sco/forms.htm>.

This form must be completed for each project that is subject to the six-month rule. The controller/CFO and project manager will certify to the OSC that the encumbrance recorded on COFRS meets the requirements contained in CRS 24-30-1404(7). The certification form should be sent to the OSC via e-mail, wherever possible, and electronic signatures are acceptable.

A memorandum of understanding (MOU) has been signed between the CDC and the OSC regarding the enforcement of the six-month rule. If the full amount of the encumbrance required by the statute cannot be met, the MOU allows a department or institution to include an amount in its project plan that will be encumbered by the six-month deadline. Justification for the proposed amount is required. If the stated encumbrance amount cannot be met by the six-month deadline, the agency may send a request directly to the CDC for a recommendation to the State Controller that the deadline be waived.

If the appropriation for the project is subject to the six-month rule, agencies need to enter the six-month rule deadline date as the APP2 appropriation code end date. When a PO document is executed and encumbered in COFRS which meets the statutory requirements of the six-month rule, agencies need to complete the certification form and return it to their field accounting specialist who will then change the APP2 appropriation code end date to June 30.

For any capital construction or control maintenance project subject to the six-month rule which does not comply with the rule by the deadline date, the appropriation code end date will not be extended, preventing the posting of any additional budgetary or accounting transactions against the project. As noted above, if an agency is not able to meet the project's six-month rule deadline, a request may be submitted by the agency directly to the CDC for a recommendation to the OSC that the deadline be waived. If the OSC approves the request, the agency will be notified in writing and the appropriation code end date on the COFRS APP2 record will be changed to June 30 and transactions may be recorded against the appropriation code. Any questions about this policy should be directed to your field accounting specialist.

#### 1.5 Carryforward of Capital Construction Appropriations

In accordance with the headnotes to the capital construction section of the Long Bill, capital construction appropriations, if initiated within the fiscal year of appropriation, are available until

completion of the project or for a period of three years, whichever occurs first. Because spending authority does not automatically carryforward on COFRS, spending authority for capital construction projects must be manually reestablished on a project-by-project basis each year. Carryforwards include projects included in the OSC's lump sum booking, any existing projects that are within their 3-year project life, and outstanding encumbrances on expired projects. In each case the AP document used to book the appropriations must be completed with a SAI code of "08" for capital construction carryforwards. Additionally, if there is a restricted amount in the FY10-11 appropriation, it must be carried forward as a FY11-12 restriction. Appropriate documentation is required to release any of the restricted portions of the appropriation.

In order to help identify which projects should continue, a Capital Construction Continuing Appropriation Status (CCCAS) - Continuing turnaround form has been designed. In March, the OSC will send a turnaround form to the controller of each agency/higher education institution. Follow the instructions in Section 1.17 of this chapter for completing the form. AP documents to record the carryforward of existing projects into FY11-12 should be attached to the completed form. Because the information is distributed in March, please note that the CCCAS - Continuing form will not include projects funded in the spring 2011 legislative session.

Prior to the carryforward of spending authority, it may be necessary for an agency or institution to record FY11-12 expenditures or roll open purchase orders into FY11-12. See Chapter 1, Section 4 for additional information on encumbrance issues. To facilitate these COFRS functions, agencies will need to establish the FY11-12 appropriation code by booking a zero-dollar AP document in the new year using a SAI "07".

#### **1.5.1 Carryforward of OSC's Lump Sum Booking**

New capital construction appropriations not booked by the agency in FY10-11 must be carried forward into FY11-12 and booked individually into the proper Long Bill line item and agency assigned appropriation code. The initial booking by the agency in FY11-12 is considered a carryforward (SAI "08") because the appropriation was technically available and previously booked in the OSC's FY10-11 lump sum booking. Agencies will be responsible for initiating the AP document necessary to carryforward these appropriations. For new projects, the appropriation booked in FY11-12 must be fully restricted until a completed SC4.1 or "Letter of Intent" has been received by the OSC. In addition, the restriction requirements also apply to additional funds received for continuing projects.

#### **1.5.2 Carryforward of Existing Projects that are Within their 3-Year Project Life**

For continuing projects, the amount to be booked in FY11-12 is the amount remaining after all the FY10-11 expenditures are recorded against that appropriation. Agencies should attach an APPI and AFSI COFRS screen print to the properly completed AP document (SAI "08") supporting the amount and type of funding remaining available on the project. The AP document(s) and the CCCAS-Continuing turnaround form to reestablish continuing spending authority must be received at the OSC by August 19.

#### **1.5.3 Carryforward of Outstanding Encumbrances on Expired Projects**

Valid outstanding encumbrances may be carried forward on expired projects. For a valid encumbrance to exist, a contract must have an effective date of June 30 or earlier, or a purchase order must be dated June 30 or earlier. Requisitions in process on June 30 or contracts with an effective date subsequent to June 30 are not acceptable support for requesting the continuance of spending authority for capital construction projects.

To request continuation of committed, but unexpended spending authority for an expiring project, a CCCAS - Expiring turnaround form must be completed and forwarded to the OSC by August 19. For each AP document (SAI "08") please attach the APPI and AFSI COFRS screen

prints indicating the remaining availability and type of funding. Also include documentation to show that the spending authority request for the new year is properly encumbered at the end of the current fiscal year. A copy of the daily BDA01R report dated on Friday, July 15 for the applicable appropriation code will provide sufficient documentation of properly encumbered funds. PO documents entered on Friday, July 15, will not be shown on the Period 12 BDA01R report. Documentation of the posting of any encumbrance documents on this date must be submitted with the AP document requesting carryforward of expiring funds.

Any unencumbered spending authority at the expiration of the project must be reverted. See Section 1.6 for information pertaining to reverting spending authority.

### **1.6 Capital Construction Appropriations Expiring June 30**

A separate CCCAS - Expiring turnaround report will be distributed by the OSC in March that lists all appropriated capital construction projects for an agency that are expiring at June 30 of that year. Follow the instructions in Section 1.17 of this chapter for completing the form. Uncommitted spending authority on expiring projects must be reverted to the Capital Construction Fund on a project-by-project basis. Projects with uncommitted spending authority on this listing will expire unless the project is not complete and a valid commitment voucher exists on COFRS (encumbered on COFRS), as described in Section 1.5.3. The completed CCCAS - Expiring turnaround form indicating what portion of a project will revert is due to the OSC by July 25. With the form, also submit a properly prepared and agency approved AP document to reduce the uncommitted spending authority. A SAI code of "06" for capital construction reversions must be used on these documents. Attach an APPI and AFSI COFRS screen print as supporting documentation for the amount and type of funding being reverted.

### **1.7 Capital Construction Carryforwards for Nonappropriated Projects**

Nonappropriated capital construction projects are typically accounted for in Fund 462, except as otherwise approved by the OSC. Agencies that need to reestablish spending authority for nonappropriated projects should follow the procedures as noted above for timely establishment of spending authority in FY11-12, except that SAI code "08" should not be used. Instead, the indicator should reflect the actual spending authority used to establish the original spending authority. For example, if federal funding authority was established previously, use SAI "04"; if statutory authority was used, use SAI "10". CCCAS forms will not be sent to agencies for nonappropriated capital projects.

### **1.8 Art in Public Places**

Per CRS 24-48.5-301 and 312, a certain percentage of construction costs of capital construction projects is allocated to the Arts in Public Places program administered by the Colorado Council on the Arts and maintained in the Creative Industries Cash Fund. The expenditure of Capital Construction Funds from the project into the Creative Industries Cash fund must occur within the three-year life of the capital construction project. Funds received for the Arts in Public Places program in the Creative Industries Cash Fund are governed by the applicable statute. The six-month rule does not apply to these funds as the requirements were met in the overall individual capital construction project. The three-year life limitation starts over upon receipt of the funds by the Colorado Council on the Arts.

### **1.9 Capital Construction Fund Revenues**

Prior to requesting continuation of spending authority for FY11-12, if necessary, matching cash and federal revenue should be earned in the correct proportion to the capital construction fund appropriation available for total expenditures. For projects funded wholly or in part with cash funds including insurance recoveries, and federal funds accounted for in the Capital Construction Fund (Fund 461), excess cash earnings should be carried forward as cash and/or federal funds.

Cash and federal fund balance should be annotated and revenue source codes 9521, 9523 or 9524 on the carryforward AP document. Carryforward fund balance from Highway User Tax Fund sources should be recorded to account 9521 for correct identification as restricted under GASB Statement No. 54 standards. The OSC will use the total annotated fund balance amount to reserve fund balance in the Capital Construction Fund for earned, but unspent cash funds.

### 1.10 Capital Construction Fund Expenditures

During FY10-11, expenditures for a capital construction project related to the cost of land, materials, and labor used in the construction of a building or permanent structure, or purchase of furniture or equipment should be debited to the appropriate expenditure object code.

Charges appropriate for capital construction projects have been identified in conformance with the statutory definition of capital construction included in CRS 24-30-1301. The following list covers the object codes that should cover the majority of transactions State agencies and institutions normally need to record expenditures of capital construction projects. In limited instances, such as IT projects, other object codes may be appropriate. An explanation will be required if other codes are used.

Each set of codes is followed by a general description of their use for capital construction purposes.

- ♦ As a general rule, object codes 19XX are used to record expenditures of independent consulting contractors (Part 14 of Article 30 Title 24, CRS).
- ♦ Object codes 22XX and 3126 are generally used for State controlled maintenance projects.
- ♦ Object codes 23XX are used for general contractor services.
- ♦ 2253 Rental of Equipment, 2610 Advertising, 2810 Freight, 2820 Other Purchased Services, 3128 Noncapitalized Equipment, and 4200 Purchase Discounts should be used as appropriate. Rental of equipment is related to the rental of construction equipment to complete a project. Object code 2610 should be used for advertising related to the project (e.g., bid awards, end-of-project notifications). Printing/reproductions costs include the costs to provide the prime contractor with a reasonable number of plans and specs to distribute to sub-contractors for use during the project.
- ♦ Object codes 61XX and 62XX are used for the direct purchase of capital equipment.
- ♦ Object codes 63XX should only be used for projects that have been approved for lease purchases.

The following types of expenditures should be charged to an agency or institution's operating budget and are not appropriate to "brick and mortar" capital construction/controlled maintenance projects:

- ♦ Personal Services, including classified service employees and exempt contract employees.
- ♦ All administrative expenditures including, but not limited to: travel, postage, telephone and fax, and general printing/reproduction costs.

At the end of the fiscal year and prior to Period 13 agency close, agencies should review all capital construction projects to identify projects completed and closed during the year. The intent of this review is to ensure that all costs of the closed projects meeting the capitalization criteria are recorded in a fixed asset account. This includes the reclassification of amounts previously recorded in construction in progress and current year expenditures recorded in various object codes. For capital construction projects completed and closed during the fiscal year, a COFRS JV document should be prepared prior to Period 13 agency close transferring the total cost of the

project, including costs previously recorded in the construction in progress account (account 1860) to the appropriate balance sheet account in the Full Accrual Account Group, for governmental funds (Fund 471), or the applicable proprietary fund. For capital construction projects not completed by the end of the year, a COFRS JV document should be prepared to record expenditures incurred to date meeting the capitalization criteria in account 1860 - CONSTRUCTION IN PROGRESS.

See Chapter 9, sections 1.6 and 1.7 for information and examples of entries to record capital assets and related depreciation for capital assets built or purchased with capital construction appropriations.

### **1.11 Retainage for Capital Construction Projects**

Before Period 13 agency close on August 2, agencies should verify that the balances of their retainage account (Account 2315) related to each project are correct. If the balance is incorrect, but the expenditure for the payments was recorded correctly, it is not necessary to record a reclassification of the retainage as a liability to the contractor or receivable from the contractor. If the expenditure was incorrectly recorded, make correcting entries as necessary.

Higher education institutions should follow the guidance provided in Higher Education Accounting Standard No. 9, as revised, when recording retainage payable.

### **1.12 Automated Year-End Fund Balance Sweep Entries**

COFRS will process automated JA documents prior to the final close of Period 13 in Fund 461 to ensure that agency fund balances in the fund equal zero. The amount of the entry will be the difference between revenues and expenditures in this fund. The entry will debit or credit balance sheet account 3400 with the offset to the cash account 1100. An equal and opposite entry will be made to agency 999 in the same fund. It is the intent of this process to prevent operating agencies from rolling forward fund balances at the agency level in Fund 461. Also, these entries will help offset the negative cash position in the 1100 accounts caused by cash not being transferred to the appropriate account to support Capital Construction Fund expenditures throughout the year. Agencies must manually include their side of the sweep entry, if applicable, on any JA documents submitted during the OSC's close. See Chapter 3, Section 3.16 for additional details.

### **1.13 Relationship Between Fund 461 and 320/305 Plant Funds in Higher Education**

The following discussion addressing higher education capital asset construction refers to the NACUBO fund structure accounting used internally by higher education. Fully qualified TABOR enterprises will feed plant fund activity to COFRS Fund 320, and partially qualified enterprises (including AHEC) will feed to Fund 305.

Higher education institutions should review the details of Higher Education Accounting Standard No. 9, as revised. The following are the most important points to keep in mind during year-end closing:

- ♦ All revenues and expenditures recorded in Fund 461 under your agency code are duplicated in your higher education unexpended plant fund on COFRS.
- ♦ The amount of revenue recorded in the plant funds using revenue source code EBGD, Operating XFERS DOHE/CAPITAL CONSTRUCTION, should be equal to the total expenditures less earned revenues recorded in Fund 461. The OSC relies on the revenues recorded under revenue source code EBGD in the plant funds to be the basis for the reclassification of Fund 461 expenditures as capital contributions on the statewide financial statements.
- ♦ Cash revenues are earned in a higher education fund and also recorded in Fund 461 in an amount equal to or less than total project expenditures. The OSC will eliminate Fund 461 revenues and expenditures in the statewide financial statements to the extent cash

revenues have been accrued in Fund 461 for your agency. Until cash is actually transferred to Fund 461, interfund receivable and payable accounts may be needed to balance the revenue and expenditure entries in each fund. Use balance sheet accounts 1371-INTERFUND REC-SAME AGENCY and 2361-INTERFUND PAY-SAME AGENCY for this purpose. All cash should be transferred to Fund 461 within forty-five (45) days of establishing the interfund receivable.

- ♦ Since the booking of the FY11-12 capital construction appropriations into each agency's Fund 461 in FY11-12 per Section 1.5 above is a budget entry only, it will have no effect on the relationship between Fund 461 and the discreet higher education plant funds.

#### **1.14 Emergency Maintenance Projects**

The Department of Personnel & Administration (DPA) will notify agencies/institutions annually of emergency maintenance projects that are appropriated to DPA for maintenance of assets owned by agencies/institutions where the total project expenditures are expected to be \$50,000 or more. If the project meets the requirements of Chapter 9 Section 1.4.1 (including increasing the capacity, efficiency, or extending the useful life of the asset), the agency or institution should capitalize the cost of the project on their books. This will support the agency recovering the cost of the project through depreciation in the agency's indirect cost plan or indirect cost rate. It is the agencies' responsibility to notify DPA whether or not the project will be capitalized at the agency. Emergency maintenance projects with expenditures totaling less than \$50,000 or that are over \$50,000, but do not meet the capitalization requirements, will be expensed and included in the Statewide Cost Allocation Plan for purposes of indirect cost recovery. For capitalized projects over \$50,000, DPA will capitalize the asset or Construction in Progress, as appropriate. DPA will then notify the agencies/institution of that amount capitalized and remove the asset as a loss on its books. The agency or institution will record the asset and offset a gain, or contributed capital if operating in a proprietary fund.

For Emergency Maintenance Projects that the agency determines it will capitalize, the following accounting will apply. DPA will first capitalize the expenditures in Fund 471 (debit capital asset, credit expenditure), and then remove the asset (debit 31-6502/6503, credit capital asset). Governmental fund agencies will capitalize the asset (debit capital asset, credit 31-6502/6503). This will leave the statewide reporting showing Capital Construction Fund expenditures on the fund level statements and only the resulting capital asset on the government-wide statements. Proprietary fund agencies will capitalize the asset with contributed capital as the offset (debit capital asset, credit 31-8800 or 31-8801 Contributed Capital). This will leave the statewide reporting showing Capital Construction Fund expenditures in the governmental fund on the fund level statements, a loss on disposal of capital assets in the governmental activities on the government-wide statements, and contributed capital and a capital asset on both the proprietary fund level statements and the business-type activities on the government-wide statements.

#### **1.15 Non-Capitalizable Emergency Maintenance Project Duplicate Expenditures – Higher Education Only**

Normally expenditures related to non-capitalizable emergency maintenance projects are reflected as expenditures of DPA only. For higher education institutions the expenditures are duplicated in the higher education enterprise fund (Fund 305 or 320) to support the calculation of State support for TABOR purposes. To facilitate the higher education entries, DPA provides quarterly expenditures to the applicable institutions. The duplicate entry debits 22-2210 OTHER MAINTENANCE/REPAIR SVCS (or other non-capitalizable code as applicable) and credits 31-EBGD OT RE DOHE FM DOHE/CAP CONSTRN. The OSC eliminates the duplication postclosing as part of the regular capital construction elimination process. The Capital Projects

Expended Compared to Transfers To/From Plant Funds diagnostic report has been modified to reflect the duplication as described in Chapter 5, Section 1.5.

#### **1.16 Capital Construction Projects Funded by Revenues from Land for Public Buildings Pursuant to Section 8 of the Enabling Act of Colorado**

There were a number of cash funded project that refinanced controlled maintenance projects in House Bill 10-1376. These projects have the following annotation - "These amounts shall be from revenues from land for public buildings pursuant to Section 8 of the enabling act of Colorado". These moneys are from two trust funds at the State Land Board in the Department of Natural Resources (SLB). In order to minimize the impact on SLB staff, the OSC will allow agencies receiving the trust funds to incur expenditures on the project without earning the revenue to support the expenditures. The OSC will coordinate with SLB at year-end to transfer revenue to the projects. To facilitate the revenue transfer, expenditures on the projects need to be finalized by July 22.

#### **1.17 Instructions for Capital Construction Continuing Appropriation Status (Continuing and Expiring) Turnaround Forms (CCAS Forms)**

Review the project information included on this form. If you find errors, mark a line through the incorrect data and write in the correct data. Please verify that the project expiration date agrees with the agency's internal records. Communicate any discrepancy to your department's field accounting specialist. DO NOT change the turnaround form. It is the agency's responsibility to provide information on the form as explained below.

Reversion FY10-11 AP Document #: Enter the AP# in this field only for a AP document to revert the appropriation. Prepare an AP document to reduce the appropriation spending authority detailed by source (general exempt, cash, or federal) to \$0. Decrease any revenue source codes, if previously used. Use a SAI of "06." Attach a screen print of the APPI, AFSI, AFCEI, and AFSC tables related to the project.

Zero Dollar FY11-12 AP Document #: Enter the AP# in this field only if a zero-dollar AP document was used to activate the appropriation in the new fiscal year and to allow the encumbrance to roll. Use a spending authority indicator of "07".

Carryforward FY11-12 AP Document #: Enter the AP# in this field only for a AP document used to carryforward the appropriation into the next fiscal year. Prepare an AP document to carryforward the unexpended balance of spending authority detailed by source (general exempt, cash, or federal). Be sure to round up the amount to the next whole dollar. Also, remember that restricted amounts should be carried forward as restricted amounts. Use a spending authority indicator of "08." Attach a copy or screen print of both the APPI and AFSI tables related to the project.

Prepared by/Phone Number: Enter the name and phone number of the person who prepares the form.

Date Report Submitted: Enter the date the form is submitted. You may submit this form more than once as you have information completed for groups of projects. For subsequent submissions, enter the notation "2nd" or "3rd" as appropriate, along with the new date.

Turnaround forms and related AP documents may be submitted electronically, faxed, or mailed to your field accounting specialist.

CONTINUING CAPITAL CONSTRUCTION PROJECTS  
AS OF JUNE 30, 2011

AGCY	APPR CODE	FUND FUND	SOURCE	PROJECT NUMBER	APPROPRIATION NAME	EXPIRES	Reversion FY 11 AP #	Zero dollar FY 12 AP #	Carry Forward FY 12 AP #
AAE	683	461	SCG	M06083	M06083 CAPITOL REPR EXTERIOR STAIRS	2012			
AAE	811	461	UBD	M08011	M08011 STATE CAPITOL REPAIR/REPLACE ALL ELEVATORS	2012			
AAE	836	461	UBM	M08036	M08036 LEGISLATIVE SERVICES BUILDING, REPAIR MAIN ELECTRICAL VAULT	2013			
AAE	837	461	UBP	M08037	M08037 STATE CAPITOL, UPGRADE SECURITY LIGHTING AND REPLACE CONTROLS	2012			
AAE	917	461	UCA	M09017	M09017 EXECUTIVE RESIDENCE, INSTALL FIRE ALARM AND SPRINKLER SYSTEM	2013			
AAE	918	461	UCC	M09018	M09018 STATE CAPITOL BUILDING, REPAIR/REPLACE INTERIOR DOOR HARDWARE	2013			
AAE	021	461	TAA	M80120	M80120 EMERGENCY FUND	2013			
AAE	853	461	UBS	P0853	P0853 DIGITAL TRUNKED RADIO SYSTEM	2012			

Prepared by: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Date Submitted: \_\_\_\_\_

1.18 Capital Construction Quick Reference

Scenario		Entry in FY	APP2	SC4.1 or "Letter of Intent" Required?	AP Amount	
New Projects	Long Bill	Need to start spending in year of appropriation	FY10-11	Create APP2 record in both FY010-11 and FY11-12	Yes, if not available appropriation must be restricted	Per Long Bill
		Do not need to start spending in year of appropriation	No action required at agency or institution level in FY10-11. The OSC will record all new appropriations that are not with an "01" spending authority indicator. The entry is a single lump sum prior to year e			
	Supplemental/ Add-on to the Long Bill	For new project	FY10-11	Create APP2 record in both FY10-11 and FY11-12	Yes, if not available appropriation must be restricted	Per Legislation
		For additional money to existing project	FY10-11	APP2 already exists	Yes, if not available appropriation must be restricted	Per Legislation
	Special Bills	Could be a new project, or additional money to existing project	Depends on effective date of legislation	If new, create APP2 record both in FY10-11 and FY11-12; otherwise the record will already exist	Yes, if not available appropriation must be restricted	Per Legislation
Continuing Projects		Activate appropriations for encumbrances to roll	FY10-11	Already exists	No	\$0
		Submit CCCAS Continuing Projects Form	Note: Form does not include most recent legislative session. AP Documents are required for everything on the projects approved in the last legislative session.			
	Within 3-year window, funded in most recent legislative session and not booked individually by agency or institution in prior year (lump sum booked by OSC)	FY11-12	Create APP2 record for FY11-12	Yes	Per Long Bill	
	Within 3-year window, all except those in previous line	FY11-12	Already exists	No, unless restrictions existed at end of prior year for lack of SC4.1 or "Letter of Intent"	Unexpended balance per APPI and funding splits per AFSI	
	Outside 3-year window (expired project)	FY11-12	Already exists	No	Encumbered amount per BDA01	
Expired Projects		Submit CCCAS Expiring Projects Form	Note: Form includes projects hitting the 3-year window, as well as projects outside the 3-year window with exi encumbrances.			
		3-year window expired	FY10-11	Already exists	No	Uncommitted balance: Unexpended balance per APPI less encumbered amount per BDA01 report



## **CHAPTER 4: SECTION 2**

### **CAPITAL CONSTRUCTION: HIGHER EDUCATION COP PROJECTS**

CRS 23-1-106.3 enacted in the 2008 legislative session authorizes the financing of capital construction projects at state-supported institutions of higher education with lease rent payments relating to the Certificate of Participation (COP) issuance funded by federal mineral lease revenues. This section discusses issues related to establishing and carrying forward spending authority, guidance on the proper accounting for transactions, and the applicability of various capital construction rules for these projects, referred to hereafter as COP projects. The COP projects shall be accounted for in the higher education Lease-Purchase Cash Fund, Funds 36x within COFRS, Fund 361 for the first issuance, Fund 362 for the next issuance, and so forth.

#### **2.1 Recording New COP Project Appropriations**

COP Projects are authorized legislatively through a joint resolution of the Colorado General Assembly and are included in the official statement of the COP documents. There is no subsequent appropriation of these projects. The projects are effective upon receipt of the COP proceeds by the State Treasurer. The OSC shall establish nonappropriated central coding, as follows:

- ♦ Long Bill group accumulator
- ♦ Long Bill group
- ♦ Funding source code
- ♦ Long Bill line item
- ♦ Project number, designated by project numbers beginning with “C”

The legislation provides for the possibility of three different funding streams related to COP projects. A separate appropriation code using a standard convention must be established for each funding stream, as follows:

- ♦ State share – CPx appropriation code
- ♦ Institution share funded through the COP issuance – HPx appropriation code
- ♦ Institution share funded through upfront cash deposit – CMx appropriation code

Institutions are responsible for establishing the APP2 records and preparing the AP document(s) with a spending authority indicator of “10” for statutory authority using the cite CRS 23-1-106.3. Spending authority must be restricted until a completed SC4.1 is received by the OSC.

#### **2.2 Carryforward of Higher Education COP-Funded Capital Construction Appropriations**

Similar to appropriated projects, spending authority must be manually reestablished on a project-by-project basis each year. An SAI code of “10” will be used to set up the remaining unexpended project balance. The AP document shall be supported by a copy of the final year-end APPI screen print(s). These projects will be included on a separate CCCAS-COPS PROJECTS turnaround form. In order to prevent any disruption in spending, AP documents must be approved by the time COFRS goes on full appropriation control on August 26. To facilitate this process, the OSC will distribute CCCAS forms for these projects, separate from, but similar to the form described in section 1.18 of this chapter.

Again like appropriated projects, it may be necessary for an agency or institution to record FY11-12 expenditures or roll open purchase orders into FY11-12 prior to completion of the carryforward AP document. To facilitate these COFRS functions, agencies will need to establish the FY11-12 appropriation code by booking a zero-dollar AP document in the new year using a SAI “07”.

### **2.3 Lease Purchase Cash Fund Revenues**

Project costs are covered by the COP proceeds, or the cash match if that was chosen as the method to provide the required institutional share. The State Treasurer shall reimburse the projects from the proceeds on a one month lag basis. Consequently, the project will be operating in a deficit cash position. A working capital advance will not be required as the proceeds in the Treasury offset the deficit. For any cash match portion, the cash must be placed on deposit in Fund 361 before any spending on the project can occur. Because this occurs upfront there are no additional revenues to record throughout the life of the project.

For purposes of earning interest on the cash deposit, the institution must place an "HECM" reporting category on the cash when placed on deposit. Once spending begins out of the cash match, the institution must notify the Treasury so that the interest allocation can be adjusted to reflect a declining cash balance.

### **2.4 Lease Purchase Cash Fund Construction Expenditures**

Allowable expenditures as defined in the sublease agreement include project materials and supplies, contractor payments, professional services, personal services and other costs directly related to the project. The use of internal workforce is not prohibited on COP projects. Institutions will follow the same project management procedures established by the Office of the State Architect that are followed for regular capital construction projects. As such, spending authority will be restricted until the OSC receives an approved SC4.1.

#### **2.4.1 Proportional Spending**

Proportional spending as described in Section 1.9 of this Chapter for regular capital construction projects does not apply. Institutions shall spend the State share of proceeds (appropriation CPx) first, followed by the institution's share of the proceeds (appropriation HPx) second, and the institution's cash match (appropriation CMx) last. This approach is intended to minimize or eliminate any arbitrage liability.

#### **2.4.2 Six-Month Rule**

Because the projects are not appropriated, the six-month rule requirement to encumber professional services contracts within six months does not apply. Although the rule does not apply, institutions are encouraged to proceed on the projects as quickly as possible.

#### **2.4.3 3-Year Life**

Because the projects are not appropriated, there is not a requirement that the unencumbered balance revert back to the Capital Construction Fund after three years.

### **2.5 Relationship Between Fund 361 and 305/320 Plant Funds in Higher Education**

Similar to regular capital construction projects, all revenues and expenditures recorded in Fund 361 are duplicated in the institution's plant funds on COFRS. This occurs as described in Section 1.13, except that the revenue recorded in the plant fund representing the State's share will be recorded using revenue source code AAGG - OT CS DOHE INTERNAL COP ELIM.

**2.6 Split-Funded Higher Education COP-Funded/Capital Construction-Funded Projects**

Several of the COP projects have an associated regular capital construction appropriation that combined with the COP project comprise the entire project. The various rules applicable to regular capital construction projects including the six-month rule, 3-year life, internal workforce prohibition, proportional spending, and so forth continue to apply within the regular capital construction portion. To determine compliance with the rules, both the COP project and regular capital construction project appropriation will be taken into consideration. For example, if at the end of three years the regular capital construction has an unencumbered balance that would normally revert, as long as there is at least an equal or greater amount encumbered in the COP project, the regular project can be carried forward based on the Fund 361 encumbrances.

