



NYSASBO The Treasurer and Capital Projects

May 8, 2015



Capital Projects Fund

Definition:

- Capital Projects Funds are used to account for financial resources to be used for the construction or acquisition of capital facilities and equipment purchases financed in whole or in part from the proceeds of obligations, with additional funding from Federal, State and local sources.



Capital Projects Fund – General Information

- The Capital Projects Fund is similar to the Special Aid Fund in that it is not one fund, but the summary of many individual capital projects funds. Separate accounting by individual capital projects is required.



Capital Projects Fund – Establishing a New Project

- When a new capital project is approved, the project's budget should be recorded. For example:

H510-Estimated Revenues	500,000
<i>H5710-Serial Bonds</i>	<i>400,000</i>
<i>H5031-Interfund Transfers</i>	<i>100,000</i>
H960-Appropriations	500,000
<i>H1620.293-General Const.</i>	<i>500,000</i>



Capital Projects Fund – Establishing a New Project

After the project is approved, contracts with construction companies will normally be let. Once the contract is approved, an encumbrance should be recorded.

The entry would be:

H521-Encumbrance

Hxxxx.x –Individual Exp.

H821-Reserve for Encumbrances

If change orders to the contract are approved, then the encumbrance should be increased or decreased accordingly.



Capital Projects Fund - Retainages

- To guarantee that the work will be completed satisfactorily, districts withhold paying a portion of each invoice (normally 5%) until they are satisfied that the work is complete. The portion that is not paid current is called a Retained Percentage, Contracts Payable or Retainages for short.
- These are recorded and then adjusted with each payment.



Capital Projects Fund - Retainages

- Example: Invoice #1 is received that shows that \$50,000 worth of work has been completed on a \$70,000 contract. The retainage is 5% ($50,000 \times 5\% = 2,500$)

The entry would be:

H522/_____. Expenditures	\$50,000	
H600-Accounts Payable		\$47,500
H605-Retainages		\$ 2,500

Note that the encumbrance would also be reduced:

H821-Reserve for Encumbrances	\$50,000	
H521-Encumbrances		\$50,000
H_____.-Expenditures		\$50,000



Capital Projects Fund – Retainages

- Assume that Invoice #2 is received and it is for \$10,000. The balance in H605-Retainage should now be \$3,000:

Invoice #1 - \$50,000 x 5% = \$2,500

Invoice #2 - \$10,000 x 5% = \$ 500

\$3,000

The entry would be:

H522/_____. Expenditures	\$10,000	
H600-Accounts Payable		\$9,500
H605-Retainages		\$ 500
H821-Reserve for Encumbrances	\$10,000	
H521-Encumbrances		\$10,000
H_____Expenditures		\$10,000



Capital Projects Fund-Bond Anticipation Notes (BANs) Liabilities

- Short-term debt related to capital projects is recorded in the fund. Bond Anticipation Notes (BANs) are generally borrowings for 365 days or less.

When a BAN is issued:

H200-Cash

H626-Bond Anticipation Notes Payable

While BANs are usually one year debt instruments, they can be renewed for five years (with annual reductions in principal)



Capital Projects Fund-Bond Anticipation Notes (BANs) Liabilities

- What is more difficult to record is when one BAN is renewed and another BAN is issued at the same time.
- For example:
- In year 1 issue a Bus BAN #1 for \$300,000 with ABC Bank.
- In year 2 pay \$60,000 off on the BAN #1 and renew the balance. Also in year 2 issue Bus BAN #2 for \$400,000. New BANs are with XYZ Bank.



Capital Projects Fund - BANs

- On the date of the sale of the new BANs, the district will owe the full amount of BAN #1 (300,000) plus interest (\$9,000) to ABC Bank. They also will receive \$640,000 (\$240,000 + \$400,000) from the proceeds of issuing the new BANs from XYZ Bank.
- The money from the new BANs will normally with go into the General Fund and then a wire will need to go out of the General Fund to pay off the original BAN #1.



Capital Projects Fund – BANs

To record \$60,000 principal & \$9,000 interest payment on BAN #1:

A522/9732.6-Bus BAN Principal (*)	\$240,000	
A522/9732.6-Bus BAN Principal	\$ 60,000	
A522/9732.7-Bus BAN Interest	\$ 9,000	
A200-Cash		\$309,000
H626-BANs Payable	\$ 60,000	
H980/5731-BANS Redeemed		\$ 60,000

To record \$640,000 in new BAN proceeds:

A200-Cash	\$640,000	
A630-Due to Other Funds		\$400,000
A522/9732.6-Bus BAN Principal (*)		\$240,000
H391-Due from Other Funds	\$400,000	
H626-BANs Payable		\$400,000

(*)- Nets to zero.



Capital Projects Fund – Serial Bonds

- BANs are normally issued until the actual total cost of the project is determined. At that time, the BANs are converted to long-term debt as Serial Bonds. As Serial Bonds are long-term, the liability is not recorded in the Capital Projects Fund, but is recorded in the Non-Current Governmental Liabilities Supplemental Schedule.



Capital Projects Fund – Serial Bonds

- Assume a serial bond for \$10,000,000 was issued and there are outstanding BANs of \$3,000,000. The proceeds are deposited into the Capital Projects cash account.

The entry would be:

H200-Cash	7,000,000	
H626-BANS Payable	3,000,000	
H980/5710-Serial Bonds		10,000,000



Capital Project Fund – Restrictions on Debt

- Districts issue tax-free bonds and therefore the IRS doesn't collect any taxes on the interest we pay to the bondholders. Because of this, the federal government wants to make sure that we only issue bonds for appropriate reasons and the proceeds are used as originally approved. There are restrictions on the interest earned and the unused proceeds of bond issuances.



Capital Projects Fund – Debt Restrictions

- Interest restrictions –
- There are arbitrage requirements on tax-free bonds. Debt should not be issued in advance of when it is needed and if it is, the interest income earned may be due to the IRS.
- Interest earned on the bonded indebtedness is restricted for the purpose of the bond. Therefore, it can only be used to pay for the project or to pay for the debt repayment.



Capital Projects Fund – Debt Restrictions

To record interest earned in the Capital Projects Fund:

A or V391-Due from other Funds

A or V980/2401-Interest

((V) if have Debt Service Fund, otherwise (A). Interest will close to 884-Reserve for Debt)

H200-Cash

H630-Due to Other Funds



Capital Projects Fund – Debt Restrictions

Unused bond proceeds restriction – Unused debt proceeds are restricted for the repayment of the debt.

To record unused proceeds:

391-Due from Other Funds

980/5031-Interfund Transfers

(In (V) if have Debt Service Fund, otherwise in (A))

H522/9901.9(6)-Transfer to Other Funds

H630-Due to Other Funds



Capital Projects Fund – Installment Purchase Debt

- Sometimes districts enter into installment purchase debt (capital leases) to finance the cost of capital assets, e.g. copiers, buses, etc.

Capital leases are defined as either:

- Paying 90% of the market value of the asset,
- Having terms that cover more than 75% of the useful life of the asset, or
- Contract has a bargain purchase option at the end of the lease (e.g. pay \$1 and keep the asset)
- If any of these terms apply, then the lease is considered a capital lease vs. an operating lease.



Capital Projects Fund- Installment Purchase Debt

- Installment Purchase Debt is considered to be the same as any other long-term debt obligation and therefore the value of the lease is recorded just as serial bonds would be. Revenue is recognized in the Capital Projects Fund.

The entry is:

H522/_____.2-Individual Expenditure

H980/5785-Installment Purchase Debt Rev.



Part I – Closing the General Ledger

- Capital Fund – need to review the individual projects to determine that expenditures have been charged appropriately.
- Make sure your total project costs, as reported on the ST-3's and supplemental schedules in the audit reports, are tied to the final cost report.
- It is critical that expenditures are properly classified as how much Building Aid the district will receive depends on how the expenditures are recorded.
- The final cost reports have time limits as discussed later.



Part I – Closing the General Ledger –Capital Projects

- Page 1 – this is an example of how the State calculates the portion of a bond issuance that will be reimbursable at your district's aid ratio.



Part I – Closing the General Ledger – Capital Projects

- Bond % = .86.210
 - Then aid % applied
 - Represents percentage of total bond authorization that is determined to be aidable by SED Facilities Planning Unit.
- If we get 70% Building Aid
 - The net aid is $.86210 \times .70 = .60347$
 - Total percentage that will be applied to the debt service (principal and interest.)
 - We would get 60.347% reimbursement on the cost of the project spread over 15 or 20 years.



Part I – Closing the General Ledger –Capital Projects

PROJ CODE #	(W + X) MAXIMUM COST ALLOWANCE	(V) TOTAL COST ALLOWANCE	BOND ISSUE AMOUNT	BOND ALLOWANCE	CAP OUTLAY ALLOWANCE
0003-010P:F	5,842,594	2,138,731	32,535,000	2,138,731	0
0003-011P:	6,047,298	100,000	32,535,000	100,000	0
0004-006P:F	4,518,432	2,193,801	32,535,000	2,193,801	0
0005-027P:	42,219,056	10,586,250	32,535,000	9,986,250	600,000
0005-028P:F	38,676,851	318,094	32,535,000	128,094	190,000
0006-011P:F	5,007,938	1,689,843	32,535,000	1,689,843	0
0007-009P:F	5,197,580	3,238,341	32,535,000	3,238,341	0
0008-010P:F	4,672,629	2,696,043	32,535,000	2,696,043	0
0009-009P:F	21,579,490	2,977,656	32,535,000	2,977,656	① 0
0009-010P:F	18,360,652	1,477,827	32,535,000	1,477,827	0
0011-008P:F	6,325,612	1,422,079	32,535,000	1,422,079	0
1002-004 :	0 :	0* :	32,535,000 :	0* :	0
TOTAL				28,048,665	
TOT BOND ALLOW / TOT BOND ISSUE = BOND % = 0.86210 RETRO BOND % = 0.00000					





Part I – Closing the General Ledger –Capital Projects

METHOD OF FINANCING:	FACS PLANNING (SA-4)	STATE AID (SA-139)	STATE AID (FINAL COST)
BONDS/BANS/CAP NOTES	2,845,000	2,845,000	2,987,482
ENERGY PERFORMANCE	0	0	0
BUDGETARY APPROPRIATIONS	75,000	75,000	75,000
CAPITAL RESERVES	0	0	0
OTHER	0	0	0
GIFTS	0	0	0
RESCUE 1	0	0	0
RESCUE 2	0	0	0
EXCEL FINANCING	0	0	0
TOTAL FINANCING	2,920,000	2,920,000	3,062,482
CONSTRUCTION - NEW/ADD	1,833,530	1,833,530	(a) 1,815,994
CONSTRUCTION - ALT/RECON	702,879	702,879	(b) 689,174
INCIDENTAL - NEW/ADD	277,543	277,543	(c) 412,719
INCIDENTAL - ALT/RECON	106,048	106,048	(d) 144,595
TOTAL COSTS - NEW/ADD	2,111,073	2,111,073	2,228,713
TOTAL COSTS - ALT/RECON	808,927	808,927	833,769
TOTAL PROJECT COSTS	2,920,000	2,920,000	3,062,482



Part I – Closing the General Ledger –Capital Projects

DATE GENERAL CONTRACT SIGNED: 04/26/04

		NEW/ADD	ALT/RECON	
	PUPIL ALLOW * CAPACITY			
BUILDING MAXIMUM	K-6 TABLE * NEW OR 1/2ALT	(A) 0	0	(B)
	7-9 TABLE * NEW OR 1/2ALT	(C) 1,731,168	15,532,424	(D)
	7-12 TABLE * NEW OR 1/2ALT	(E) 0	0	(F)
	SPEC ED DET 2(CALC A) * NEW OR 1/2ALT	(G) 0	0	(H)
	SPEC ED ATT 3(CALC A) * NEW OR 1/2ALT	(I) 0	0	(J)
	TOTAL	(K) 1,731,168	15,532,424	
	REGIONAL COST FACTOR 1.0000	(W) 1,731,168	15,532,424	
	BUILDING ALLOWANCE FOR AID:	(L) (A) 1,731,168	(B) 689,174	
INCIDENTAL MAX	K-6 20% * (A) AND/OR (B)	(M) 0	0	(N)
	7-12 25% * (C), (D), (E) AND/OR (F)	(O) 432,792	3,883,106	(P)
	SPEC ED DET OR ATT 25% * (G), (H), (I) AND/OR (J)	(Q) 0	0	(R)
	TOTAL	(S) 432,792	3,883,106	
	REGIONAL COST FACTOR 1.0000	(X) 432,792	3,883,106	
	INCIDENTAL ALLOWANCE FOR AID:	(T) (C) 412,719	(D) 144,595	
	TOTAL COST ALLOWANCE (L + T)	(U) 2,143,887	833,769	
	TOTAL COST ALLOWANCE FOR AID	(V) (I) 2,977,656		



Part I – Closing the General Ledger –Capital Projects

- Look at Page 4-15. These are select pages from a Final Building Project Report.
- This is how the State knows how much you spent in each of the categories.
- A separate one of these is prepared for every SED approved capital project.



Part I – Closing the General Ledger –Capital Projects

- Page 5 – Since you have to report the expenditures in these categories, make sure you record them during the life of the project in these categories.
- Page 7 – Will complete one of these for each contract. Must track all change orders and get them approved by the State as they will have to be listed.
- Note that each contract needs to be split between Additions and Alterations, as appropriate.



Part I – Closing the General Ledger –Capital Projects

- Page 9 – Incidental Costs are tracked separately as they have a separate cost limits.
- Page 12 – The costs on the pages before this one are summarized here. The four cost limits from SA-130 (page 3 of handout) will be compared against the four totals listed here.



Part I – Closing the General Ledger –Capital Projects

- What do you do when the district is over the cost limits?
- Review them. Are you just classifying costs in the wrong areas? Additions vs. alterations? Construction vs. Incidental?
- If so, file a FP-FI (page 14) to correct the SA-4/SA-139 previously submitted.
- Are there errors between projects? Make correcting journal entries before you complete the ST-3.



Part I – Closing the General Ledger –Capital Projects

- Check revenue coding to make sure the allocation between SED project numbers for serial bond proceeds, EXCEL aid and Interfund transfers has been determined as you need this for the ST-3.
- Remember that the final building cost reports have due dates and not completing them will cause the State to recoup Building Aid previously paid.



Part I- Closing the General Ledger – Due Dates for Final Building Project Reports

Final Building Project Report Due Dates

Due Dates for Final Building Project Reports and Date of Expiration of Statute of Limitations for Projects Completed in Calendar Year 1998 Through Calendar Years 2014

Final Building Project Report Due Dates

Calendar Year of Final Substantial Completion of School Construction Project	School Year in Which Final Building Project Report is Due	Project Report Can be Accepted (Statute of Limitations)
2012	2012-13	June 30, 2014
2013	2013-14	June 30, 2015
2014	2014-15	June 30, 2016



Part I – Closing the General Ledger –Capital Projects

- New Rules for Capital Projects Approved After 7/1/2011
 - No Aid until Final Cost Report done