

STATE OF RHODE ISLAND  
DEPARTMENT OF ADMINISTRATION

**OFFICE OF ACCOUNTS AND CONTROL**

---

<b>SECTION</b>	<b>POLICY/PROCEDURE NO.</b> /	<b>FORMERLY</b>
	E-17 /	
<b>SUBSECTION</b>	<b>EFFECTIVE DATE</b> /	<b>PAGE NUMBER</b>
	April 1, 2003 /	1 OF 5
<b>POLICY/PROCEDURE</b>	<b>AMENDMENT</b> /	<b>REVISION</b>
<b>BOND FUND EXPENDITURES</b>	/	

---

The expenditure of bond funds shall adhere to the following guidelines. Any exceptions to these guidelines shall require the approval of the Budget Officer and the Director of Administration.

1. UNDERLYING PRINCIPLES

The following underlying principles are the basis of the guidelines for expenditures from bond funds.

1.1 Basic Accounting Principle

That the useful life expectancy of assets acquired through the issuance of long-term debt obligations should be at least equal to the term of the debt.

1.2 Bond Maturities

Traditionally, general obligation bond statutory authorities state that the bonds shall bear such date or dates, mature at such time or times, but not exceeding twenty (20) years from their respective dates of issues.

For this purpose of this policy, certificates of participation are considered the equivalent of "bonds."

1.3 Asset Lives

Appendix IX of the F.A.C.T.S. manual should be used as a guide in determining useful life expectancy of assets.

STATE OF RHODE ISLAND  
DEPARTMENT OF ADMINISTRATION

**OFFICE OF ACCOUNTS AND CONTROL**

---

<b>SECTION</b>	<b>POLICY/PROCEDURE NO.</b> / E-17 /	<b>FORMERLY</b>
<b>SUBSECTION</b>	<b>EFFECTIVE DATE</b> / April 1, 2003 /	<b>PAGE NUMBER</b> 2 OF 5
<b>POLICY/PROCEDURE</b> <b>BOND FUND EXPENDITURES</b>	<b>AMENDMENT</b> / /	<b>REVISION</b>

---

2. DEFINITIONS

2.1 Capital Project

Capital project means and includes any building, structure, facility or physical public betterment or improvement; or any land or rights in land; or any furnishings, apparatus, or equipment for any public betterment or improvement; or any undertaking to construct, renovate, improve, equip, furnish, or acquire any of the foregoing; and that the project has an estimated total cost in excess of \$5,000. Capital projects are grouped into the following categories:

2.1.1 Public Improvement Projects

Includes new construction, acquisition, and renovations of buildings, utilities, and nonstructural improvements and land acquisitions.

2.1.2 Public Improvements – Original Furniture and Equipment

Original furniture and equipment is initial movable furnishings which are not attached to the real estate or, if attached, can be removed without serious damage to the property. Such furnishings which are needed in order to occupy/use a newly completed public improvement project. Original furniture and equipment is not subject to \$5,000 limitation, since it is considered to be a portion of the capital improvement project it equips.

STATE OF RHODE ISLAND  
DEPARTMENT OF ADMINISTRATION

**OFFICE OF ACCOUNTS AND CONTROL**

---

<b>SECTION</b>	<b>POLICY/PROCEDURE NO. /</b> E-17 /	<b>FORMERLY</b>
<b>SUBSECTION</b>	<b>EFFECTIVE DATE</b> / April 1, 2003	<b>PAGE NUMBER</b> 3 OF 5
<b>POLICY/PROCEDURE</b> <b>BOND FUND EXPENDITURES</b>	<b>AMENDMENT</b> / /	<b>REVISION</b>

---

2.1.3 Fixed Equipment

Fixed equipment is so attached to the real estate that removal would damage the property to which it is fixed. Such equipment always is included as part of the buildings and structures. (Examples: boiler, kitchen equipment, and lighting fixtures.)

2.2 Maintenance and Repair

Maintenance and repairs consist of normal upkeep or restoration work done to keep a building, structure, or nonstructural improvement in its present condition or state of usefulness; to prevent its deterioration; or to restore it to its previous condition.

3. BOND MATURITIES

3.1 Long-Term

Bonds should be issued for the maximum term of the bonding authority only if the life expectancy of the assets to be acquired equals or exceeds the term of the bond.

3.2 Short-Term

Bonds used to acquire assets having life expectancies of less than the maximum bond term should be issued for terms which coincide with the asset's estimated useful life.

Examples of this would be bonds used for acquisition of motor vehicles, household appliances, and furniture, initial household furnishings.

STATE OF RHODE ISLAND  
DEPARTMENT OF ADMINISTRATION

**OFFICE OF ACCOUNTS AND CONTROL**

---

<b>SECTION</b>	<b>POLICY/PROCEDURE NO.</b> / E-17 /	<b>FORMERLY</b>
<b>SUBSECTION</b>	<b>EFFECTIVE DATE</b> / April 1, 2003 /	<b>PAGE NUMBER</b> 4 OF 5
<b>POLICY/PROCEDURE</b> <b>BOND FUND EXPENDITURES</b>	<b>AMENDMENT</b> / /	<b>REVISION</b>

---

4. ALLOWABLE BOND FUND EXPENDITURES

- 4.1 All new construction or acquisition of any existing building, structure, facility, or physical public betterment or improvement.
- 4.2 Land acquisition or rights in land.
- 4.3 Improvements and renovations to existing structures which change the use or function of the structure and cost in excess of one hundred thousand dollars (\$100,000) and having a useful life of twenty (20) years.
- 4.4 Original furniture, equipment, and household furnishings which are needed in order to occupy/use a newly completed project. Examples: furniture, appliances, carpeting, and floor coverings, televisions, and radios used in common areas, initial bed linens, towel supplies, utensils, window furnishings, brooms, and mops. All such items must meet or exceed the Medicare definition of items that can be capitalized.
- 4.5 Initial purchase of transportation equipment only if prior approval is received from the Budget Office and Office of Central Services.

5. UNALLOWABLE BOND FUND EXPENDITURES

- 5.1 Routine maintenance and repairs consisting of normal upkeep or restoration done to keep a building, structure, or nonstructural improvement in its present condition or state of usefulness; to prevent its deterioration or restore it to its previous condition. Examples of routine maintenance and repairs would be:

STATE OF RHODE ISLAND  
DEPARTMENT OF ADMINISTRATION

**OFFICE OF ACCOUNTS AND CONTROL**

---

<b>SECTION</b>	<b>POLICY/PROCEDURE NO. /</b> E-17 /	<b>FORMERLY</b>
<b>SUBSECTION</b>	<b>EFFECTIVE DATE</b> / April 1, 2003	<b>PAGE NUMBER</b> 5 OF 5
<b>POLICY/PROCEDURE</b> <b>BOND FUND EXPENDITURES</b>	<b>AMENDMENT</b> / /	<b>REVISION</b>

---

- 5.1.1 Painting and decorating except at time of acquisition, original construction, or change of function.
- 5.1.2 Minor repairs to facilities and/or equipment or a component thereof (i.e., roofs, floors, windows) to prevent deterioration which do not extend capacity or increase function except at the time of acquisition or change of use of structure.
- 5.2 Replacement of transportation equipment, household furniture, appliances, and furnishings such as stoves, refrigerators, carpeting, floor coverings, bed linens, towels, and window furnishings.
- 5.3 Initial food and expendable supplies, paper goods, cleansers, and detergents.
- 5.4 Personal entertainment equipment, appliances, and any related accessories of individual clients, wards, or inmates.
- 5.5 Any item that cannot be capitalized under the Medicare principles of reimbursement.

State departments and agencies following these guidelines are still required to adhere to the established procurement requirements of the Division of Purchases.