

Re: Revisor's Notice - Question - Section 26-12-108

Jaros - DPA, Bob to Nate Carr

10/25/2023 03:52 PM

Cc "Jennifer Gilroy", "Jing Ye - DPA"

1 attachment



Ft Logan Land Sale Memo entry Revised 6.8.2020.docx

Nate Carr,

The conditions for the Fort Logan Land Sale were met. Please see the attached memorandum that outlined the land sale.

Robert Jaros, CPA, MBA, JD
Colorado State Controller



MEMORANDUM

To: File
From: Jeff Jasper
Date: 12.10.19/ Revised 6.8.2020
Subject: Ft Logan Land Sale

The Department of Human Services was authorized to sell land at the FT. Logan Campus. This was authorized in HB 16-1456 and HB 17-1346. On September 25, 2019, in FY 2020, CDHS sold 47 acres of land to the United States Veterans Administration for \$10,765,643.01. CDHS then entered into a lease of three buildings located on the sold land. *(HB's and closing documents and lease agreements found @ S:\ACT\Central Accounting\Fixed Assets\2020\Ft Logan Land Sale)*

HB 16-1456 allowed for the sale of the first 15 acres. This will be accounted for in the cash fund FTLC (Fort Logan Land Sale Account Fund). HB 17-1346 allows for additional land to be sold (up to a total of 55 acres). This will be used for additional capital construction once the funds are appropriated in a future long bill.

The department took the following steps to account for the land sale.

1. **Receipt Cash –** On September 25, 2019, in FY 2020, CDHS sold 47 acres of land to the United States Veterans Administration for \$10,765,643.01 *(recorded on CR IHHA 101619*6319 on 9/27/19 - fund FTLC Dr Cash 1100/ Cr rev 6500)*
2. **Reduce Assets Sold –**
 - a. **Land Value** - Prior to the sale of land the division of facilities management informed the accounting office that the total amount of land at Ft Logan amounted to 321 acres. The book value of the 321 acres is \$827,586 in CORE (*asset # IIC3520W OXFORD*), (or \$2,578.15 per acre). The department calculated to the total land sale of 47 acres would result in a reduction of the book value of the land at \$121,173.03 ($2,578.15 \times 47$) and the total value of land remaining is. ***Recorded on FI IHJA 1212190262***



- b. **Account for Buildings on sold Land** - With the land sale the department sold the buildings that were located on the land sold. In order to account for this the first thing we did was identify buildings located on the premises from our asset listing. Below is a listing of all the assets associated with the buildings that we sold, and thus need to reduce the value to \$0 in fund 4710.

In order to determine the gain or loss on the buildings sold the department had to come up with a sales price that was applicable to the buildings. Since the scope of the building use is limited there is no way to get a valuation of their worth through conventional means. So the Department determined that the best way to assign a fair market value to this portion of the sale was to determine what the current value is to the department and the federal government who bought them. To come up with this amount we used what we are willing to pay for their continued use through the lease back subsequent to their sale, since this is a real value. Thus, the department made a professional judgement, and used the future value of the minimum lease payments as the sales price of the buildings. Through review of the lease we determined that the present value of the future minimum lease payments to be \$343,795.40. This sale prices were then calculated pro-rata over the book value of the buildings to determine gain loss on the sale of the various building assets on the books. The calculation is based on the following assumptions - Lease asset Motor Pool Building historical cost 343,795.40. Useful life 5 years. In service date September 25, 2020. These items were removed from our records on the following transactions (FD IHHA NDFM20*0001, FD IHJA MHIF20*001 & FD IHJA MHIF20*002)

Asset	Historical Cost	A/D 10.31.2020	NBV 10.31.2020	Allocated Sales Price	NBV	Gain Loss
NFL065-4390 W.Oxford Motor Pool	221,382.47	174,294.20	47,088.27	326,397.93	47,088.27	279,309.66
NFL069 4375 S. Stuart St	1,800.00	1,800.00	0	2,653.85	0	2,653.85
NFL180 4395 W. Oxford Ave	10,000.00	10,000.00	0	14,743.62	0	14,743.62
NFL065	0	0	0	0	0	0
Total	233,182.47	186,094.20	47,088.27	343,795.40	47,088.27	296,707.13

3). Sales Lease Back of Buildings – In the transaction the Department leased back the use of 5 building components for 5 years.

- i. **Capital or Operating Lease** - The evaluation of the lease and the related calculation of the future value of the minimum lease payments resulted in this lease **NOT** qualifying as a capital lease. (Calculation for lease payback @ S:\ACT\Central Accounting\Fixed Assets\2020\Ft Logan Land Sale)
- ii. **Record effects of Lease** - The department posted an entry to recognize the sale/lease back. This entry increases deferred inflows by \$343,795.40. This amount will be amortized over the life of the lease. The department recognized a liability for \$343,795.40. Using professional judgement the



department determined this was the most appropriate offset to the deferred inflow (no outside comparable sales so used the lease value as the basis for the sale). In fund 4710 the amortization of the gain will be as follows:
Amortizable Gain

2020	2021	2022	2023	2024	2025	Total
278 days	365 days	365 days	365 days	365 days	87 days	
45,197.03	59,341.13	59,341.13	59,341.13	59,341.13	14,144.39	296,707.13

3. **Adjust Land Sale Proceeds** - The department posted entries to correct the gain loss from the sale of the land. This takes into consideration the reduction in the book value of the land, the calculated sales price of the buildings and the credits for the water/sewer from the utility company. We will record the individual portions of this entry and then compare to make adjusting entries needed for financial statement reporting purposes.

<i>Amount</i>	<i>Description</i>	<i>Entry FTLC</i>	<i>Entry 4710</i>
\$10,765,643.01	Gross Funds received Land and Buildings - CR IHHA 101619*6319	Dr Cash / CR sales rev 6500	
(5,643.01)	Minus water and sewer costs, move credit to where utility PMTS are made. JVIADV IHHA *4133	Dr salesRev / Cr utility expense (fund 1000 – move cash as well)	none
10,760,000	Gross Sale Price		
(343,795.40)	Minus Fair Market Value of buildings – (PV of min lease PMTS)		Record lease amortization, and recognize buildings as assets over 5 year life.
10,416,204.60	Net Sale Price of Land		
(121,173.03)	Book Value of Land —		Reduce book value of land to zero in 4710
\$10,295,031.57	Gain related to land sale		
<i>Final Gain is allocated based on projects and HB intent steps 4&5 below</i>			

4. **Proceeds Fund Capital Project** - The department posted a revenue transfer entry for \$1,101,159. This tied to the appropriated amount in the long bill SB 19-207. Per HB 17-1346 these proceeds were used to fund this project, so they were transferred to the project in fund 4610. (booked on IET IHHA *22108 - LB showing revenue source in land sale folder and attached to IET) – Add SA for Transfer authority from FTLC to 4610

DR. FTLC IC2160016 7000
CR FTLC IC2160016 1100
DR 4610 ICPKD0046 1100
CR 4610 ICPKD0046 9000



5. **Earmark funds for Future use based on enabling legislation**

10,760,000 - 47 acres + Buildings sold

(343,795.40) – Cost of Buildings on land leased back – *proceeds remain in FTLC*

10,416,204.60 – Land proceeds to allocate - $\$221,621.37$ per acre *(10,416,204.60/47)*

\$3,324,320.55 – First 15 acres sold to FTLC *based on HB 16-1456*

\$7,091,883.84 - 32 acres for Future projects *based on HB 17-1346*

(1,101,159) – *Proceeds to fund capitol projects (fits this allocation per legislative intent)*

\$5,990,724.84 – *Remaining earmarked per HB 17-1346*

- a. **in FTLC** - \$3,324,320.55 represents the sale of the first 15 acres per HB 16-1456 earmarked to be used within the fund. This will be accounted for subsequently via balance sheet functions.
- b. **Earmark funds for Future use in projects w/ ACTV code** - \$5,990,724.84 in fund FTLC represents the future capital construction projects that are expected to be appropriated in a future long bill. This will be transferred to Fund 4610 upon the future long bill becoming law.

