



Accounting Guidance for Debt Service on Bonds and Capital Leases

**Kentucky Department of Education
(KDE)
Office of Finance and Operations
Division of District Support**

3/1/2019

Contents

Contents 2

General Bond Sale Information & Accounting Guidance on Bond Debt Service..... 3

Terms and Requirements..... 4

Recording Guidance on Bond Debt Service 7

 Sample Accounting Entries on Bond Debt Service 7

 Example Accounting Journal Entries on Advanced Refunding Bond: 9

 Expenditures in debt service fund 400: 10

 Advanced Refunding Bond - Journal Entries..... 11

Example Accounting Journal Entries on Current Refunding Bond..... 15

 Current Refunding Bond Assumption Example: 15

 Three wire transfers on the settlement date:..... 15

 The district then sends a check to the escrow account to fully defease the old issue: 15

 Current Refunding Bond - Journal Entries..... 17

Example Accounting Journal Entries on Revenue Bond:..... 19

 Revenue Bond Assumption Example:..... 20

 Revenue Bond - Journal Entries..... 22

Capital Lease Debt Payment Guidance and Entries 25

Capital Lease Payments Made Directly by the School District 25

 Sample entries: How to record KISTA bus capital lease purchases in MUNIS: 25

How to record other capital lease payments in MUNIS in fund 1 will be recorded:..... 26

General Bond Sale Information & Accounting Guidance on Bond Debt Service

A school district may issue original (new) bonds or refund (refinance) existing bonds in accordance with KRS 160.160 and 702 KAR 3:020, 702 KAR 4:160 and 750 KAR 1:010.

The district shall contract with a fiscal agent and bond counsel as specified under 702 KAR 3:020 when issuing bonds to receive financial & advisory services and to assist in developing and finalizing the revenue, refunding and KISTA bond issues. The fiscal agent will assist the school district in preparing a financing plan including funds available for debt service and proposed debt service schedule.

The fiscal agent request that KDE schedule the revenue and/or refunding bond sale with amount, date, time and type of bond.

KDE will review, verify and approve and/or deny revenue and refunding/refinancing bond sales based on each school district's financial soundness, as well as substantiate amounts, dates, times and laws supported within the bond documents.

The following documents and information must be received by KDE at least ten working (10) days prior to the bond sale:

- ✓ **Preliminary Official Statement(s) Report** – *(required from fiscal agent on revenue and refunding bonds)* A legal document for revenue and/or refunding bond in a preliminary form, which serves as a prospectus of the bonds and discloses the terms, finances, and legal requirement, which indicates how investors in the bonds will be repaid with support of the district's financials.
- ✓ **Plan of Financing Report** *(required from fiscal agent on revenue only bonds)* The fiscal agent will formulate and develop a Plan of Financing to support the financial soundness using the most up-to-date financing techniques, including all financing options, budgeting constraints and bonding capacity.
- ✓ **Plan of Refinancing Report** *(required from fiscal agent on refunding only bonds)* The fiscal agent will formulate and develop a Plan of Refinancing for refunding bonds to support the financial soundness of the bond using the most up-to-date financing techniques including all financing options, budgeting constraints, and bonding capacity. In addition, the Plan of Refinancing shall demonstrate a 5% net present value cost savings and include the remaining payment schedules of the old refunded bonds and payment schedule of the new refunding bond.
- ✓ **Bond Payee Disclosure Form Report** *(fiscal agent on revenue only bonds)* The Bond Payee Disclosure Form is a report of the cost associated with the sale of the bonds) that **must be submitted** to the Legislative Research Commission (LRC) for review by the Capital Construction and Bond Oversight Committee **if School Facilities Construction Commission (SFCC) funds are involved**. The Capital Construction and Bond Oversight Committee reviews and makes recommendations on the bond issue before the sale. SFCC requires this information to be submitted by noon one working day prior to the above fourteen (14) day deadline set by the Committee.
- ✓ **Notice of Bond Sale and Terms and Condition Report** *(required from bond counsel on revenue and refunding bonds)* An official document publicized by an issuer of a revenue and refunding bond, which provides relevant information regarding an upcoming bond issue and invites bids from prospective underwriters, brokers or investor. The terms and conditions presents the details of the bond plan, legal requirements and any written amendments.

The preliminary official statement and plan of financing must also be submitted to SFCC, if SFCC funds are involved at least ten working (10) days prior to the bond sale.

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Revenue bond issuance review and verification begins with determining the financial soundness of the requested and approved funding sources and is verified, if the funding sources are available for bonding capacity as reported on the BG-1 and the “Plan of Financing”. Revenue bond issues are proceeds that are used to fund a construction project and are always accounted for in the construction fund 360 since this is the fund from which all planned capital expenditures are made. It is not appropriate, to place a portion of the bond proceeds in the general fund to pay the bond issuance cost.

Refunding/refinancing bond issuance review and verification begins with determining the financial soundness based on the generally accepted industry standard of the realized NPV “net present value” savings of 5%, which is reported in the “Plan of Refinancing”. The NPV savings should equal 5% of the principal amount of the bonds being refunded. Rather than strictly apply the 5% NPV rule to all school refunding bond issues, some flexibility can be granted, given consideration in the remaining terms, payments and total savings of the prior bonds. Refunding bond proceeds are placed in the external escrow account which has been set up with the paying agent in order for the paying agent to pay off the remaining old refunded bond debt, in addition the district will account for the retirement of the old refunded bond as an expenditure and the recognize the new refunding bond as revenue in the debt service fund 400.

Districts may refinance existing debt for several reasons: saving money, restructuring of payment debt schedule or removing restrictive bond contracts. However, a district attempting to refund debt in order to provide savings for additional and needed bonding capacity should also consider other ways to increase and maximize bonding capacity beyond just the gross savings of the refunded debt. The districts should understand how gross savings over the term of the debt translates in present day dollars, since the actual value of money depreciates over time. This is referred to as “net present value”.

Terms and Requirements

Accounting bond issuance is recorded on the delivery date (closing date).

Arbitrage is a factor in many bond issues which the concept of arbitrage (positive or negative depending on current bond market conditions). Positive arbitrage occurs when the bonds proceeds that are invested produce a higher yield than the tax-exempt bonds. Excess earnings are subject to rebate to the federal government at certain intervals over the life of the bond issue. Several rebate exceptions exist including: small issuer exception, eighteen-month spending exception, and twenty-four month construction spending exception. Negative arbitrage is the reverse of arbitrage in that the bond proceeds investments are not producing a higher yield than the tax-exempt bonds. In some instances, the district must add monies to the escrow account to fully fund the requirements on the refunded bond. If arbitrage (positive or negative) is noted in the rebate calculations, the district should work with their fiscal agents and independent auditor to make sure the arbitrage has been appropriately reported and accounted for.

Bond Discounts is when the interest rate on the bond is less than the market rate of the price and the bond is acquired or sold at a discount under its par value. The price does not include accrued interest at the date of sale. In some situations revenue bonds may require a transfer from the general fund or debt service fund 400 to cover the reduction of the bond discount. If so, an interfund transfer is recorded and an interfund receivable should be recognized at the time the bonds are recorded. Also for revenue bonds, if the discount is decided not to be funded by another fund, the construction fund 360 shall recognize the cash from the bond sale, not the par value of the bonds *(For example, if a district sells a par value bond of \$5,000,000, which is then discounted to the purchaser by \$200,000, then the district will only receive recognized cash amount of \$4,800,000 which shall be placed in the construction fund 360 on revenue bonds. Consequently, if the district needed the additional \$200,000 to cover a current total project cost, then the difference of the \$200,000 will need to cover by other approved district funds, since they did not receive the total cost of the project from the sale of the bond).* Since there is no legal requirement governing how to account for bond discounts, then the bond discount shall be reported as “other financing use” and revenue bonds accounted for in construction fund 360 and refunding bonds accounted for in the debt service fund 400. Districts desiring to handle bond discounts in a different manner may discuss the issue with their district’s auditor.

Bond Issuance Costs are paid from the paying agent’s external escrow account using excess funds leftover from the new refunding bond proceeds once the defeased refunded bond is paid off. In addition, bond issuance cost can be paid with debt service fund 400, or general fund 1, if no funds are remaining from the refunding bond proceeds in the external escrow account. Bond issuance costs includes bond attorney costs, financial advisor fees, underwriter fees, bond rating fees, registration fees, other bond costs associated with issuing the bonds. (NOTE: Paying agent fees are paid from the debt service fund 400). Paying agent fees are fees charged by the financial institution responsible for making the principal and interest payments on the bonds.) GASB concluded that these costs related to

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

issuing debt services in the current period shall be expensed in the current period, with the exception of prepaid insurance. This represents a significant change from current practice which is to record these as assets and amortize them over the life of the related debt issue. See GASB 65 below for accounting requirements.

Bond Premium is when the interest rate on the bond is more than the market rate and the excess price of the bond is acquired or sold at a premium over its par value. The price does not include accrued interest at the date of sale. Since there is no legal requirement governing how to account for bond premiums, then the bond premium shall be reported as “other financing source” and accounted for in construction fund 360 for revenue bonds and in the debt service fund 400 for refunding bonds. Districts desiring to handle bond premiums in a different manner may discuss the issue with their district’s auditor.

Defeasance termed as the legal release of a debtor from being the primary obligor under the debt, whether by the courts or by the creditor.

Defeased Bonds are no longer an obligation of the district when an outstanding bond is retired, legally and financially, which is done by refunding them or repurchasing them with cash. Defeased bonds are no longer reported as a liability on the balance sheet and the escrow account will make any remaining payments. Bond Counsel will draft the escrow agreement and renders an opinion on the outstanding bond being legally (defeased) retired.

Entity-Wide Financial Statements - Report for long-term debt and/or other long-term obligations as liabilities in the appropriate governmental activities statement of net position. Revenue bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Revenue bond payables are reported as net of bond premium or discount. Bond issuance costs are reported as expenses in the current period. Accrued interest must be reported as a liability. Debt service expenditures related to debt service principal and interest payments shall not be included. Also, other financing sources, uses and expenditures associated with the issuance of debt should not be included in the entity-wide statements.

Escrow Agent is the bank or trust company that holds the government securities and makes payments to the paying agent for the outstanding bonds.

GASB Statement No. 7 - Advance Refunding in Defeasance of Debt Summary

Statement provides guidance on accounting for advance refunding resulting in defeasance of debt recorded in the general long-term debt account group. The proceeds of the new debt shall be reported as an "other financing source-proceeds of refunding bonds" in the fund receiving the proceeds. Payments to the escrow agent from resources provided by the new debt shall be reported as an "other financing use-payment to refunded bond escrow agent." Payments to the escrow agent made with other resources of the entity shall be reported as debt service expenditures.

GASB Statement No. 65: Items Previously Reported as Assets and Liabilities Summary (Effective Fiscal Year 2014)

Losses on Refunding Debt - The difference between the reacquisition amount and the carrying amount of the refunded debt typically results in a loss on the refunding transaction. Currently this transaction is recorded as a contra liability and shown net against outstanding long-term debt. GASB has determined that this shall be classified as a deferred outflow of resources since an entity must use current financial resources to obtain benefits in future periods through adjustments to interest rates or prepayment of terms. It shall be noted that the balance will still be amortized as a component of interest expense over the shorter of the life of the old or new debt.

Governmental Funds (MUNIS Accounting) - Expenditures related to debt service principal and interest payments shall be recognized in the period due. Bond premiums and discounts are recognized in the current period and premiums on debt issuances are reported as “other financing sources”, while discounts are reported as “other financing uses”. The par amount of debt issued is reported as “other financing sources”. Bond issuance costs are reported in the current period as debt service fund 400 expenditures. Do not report a liability for accrued interest. Report no liability for the un-matured principal of bonds, notes, capital lease obligations and similar debt service.

Refunding/refinancing bond issue are refunded bonds that combine the saving of the refunded bond with the debt of the new refunding bond issues which provides savings and additional bonding capacity that can be used for future bonding on future construction projects.

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Two types of Refunding Bonds: **Current** Refunding and **Advanced** Refunding:

Current Refunding - The old bond issuance callable within 90 days of the new bond issue and the proceeds of the new issue are used immediately to repay the old issue.

Advanced Refunding - The old bond issuance is not callable within 90 days of the new bond issue. Advanced refunding is a new bond issue placed in the escrow account to pay off the defeased old refunded bond issue. Once the defeased old bond is paid off, then any remaining proceeds will remain in the escrow account and are used by trustee to pay bond issuance cost and/or remaining (principal and interest) on the new bond issue. The district is responsible for paying new bond issue (principal and interest) *plus* any remaining portion (principal and interest) on the old bonds that was not paid by the paying agent using excess proceeds.

Refunding Current or Advanced Bonds have no impact on net position, and only affect those accounts reported on the statement of position. Accordingly, these transactions associated with the issuance of debt are recorded as, "other financing sources", "uses" and "expenditures" and should not be included in the entity-wide statement.

Revenue Bonds are issuance of long-term debt in the form of bonds used for the financing of large construction projects. The bond proceeds from the issuance of long-term debt are recorded in the construction fund 360. The long-term liability from the bond issuance is recorded in the governmental activities column on the Statement of Net Position. The proceeds from the issuance of long-term debt are classified as "other financing sources." on the Statement of Revenues and Expenditures. Bond proceeds are recorded when the bonds are delivered (closing date), verse when they are authorized.

Underwriter's Discount (Fees) are proceeds that may be withheld for underwriter's fees (called underwriter discount) and is associated with the bond issuance cost. This should not be netted against the proceeds of the bonds and shall be reported as an expenditure.

Recording Guidance on Bond Debt Service

Beginning with fiscal year 2013, all districts must maintain a debt service fund 400 for recording any debt service payments on bonds made by the district or made by others on-behalf of the district. The debt service fund must be reflected in all financial information submitted to the KDE for Tentative Budget (TB), Annual Financial Reports (AFR) and Working Budget (WB). Principal and interest payments for capital leases, such as Kentucky Inter-local School Transportation Association (KISTA) bus, energy or copier leases, may be recorded either in the fund in which the original lease was recorded or in the debt service fund.

Beginning with 2014-15 projects, the fourth digit of the project code will be a *letter* to identify the fiscal year with A representing 2014-15, B representing 2015-16, C representing 2016-17, and so on. Due to the implementation of MUNIS v10.3 which includes “database normalization”, additional time-consuming procedures would be necessary to continue to re-use project codes as has been done in the past. In an effort to reduce the burden on district staff, KDE is changing the numbering convention for project codes to an alpha character.

The debt service fund does not eliminate the need for capital outlay fund or building fund. If a debt service payment is made with capital outlay or building funds, a fund transfer to the debt service fund shall be posted to move the revenues from the capital outlay or building fund into the debt service fund. Residual construction funds may be transferred to the debt service fund to be used to pay debt service only with a prior approved BG-1 from KDE.

Sample Accounting Entries on Bond Debt Service

Bond Payments Made Directly by the School District

Step I: Transferring from other funds into debt service for principal and interest payments:

The following orgs and expenditure object codes shall be used to transfer funds out:

A. Transferring Fund 310 (capital outlay funds) into Fund 400 (debt service fund):

Debit or Credit	ORG	information about entries
Debit	0003113-0914	\$30,000 – transfer-out expenditure code from capital outlay fund
Credit	31-6101	\$30,000 – cash coming out of capital outlay fund (balance sheet cash)
Debit	40-6101	\$30,000 – cash going into debt service fund (balance sheet cash)
Credit	400-5210	\$30,000 – transfer-in revenue code from capital outlay

B. Transferring Fund 320 (building funds) into Fund 400 (debt service fund):

Debit or Credit	ORG	information about entries
Debit	0003213-0914	\$30,000 – transfer-out expenditure code from building fund
Credit	32-6101	\$30,000 – cash coming out of building fund (balance sheet cash)
Debit	40-6101	\$30,000 – cash going into debt service fund (balance sheet cash)
Credit	400-5210	\$30,000 – transfer-in revenue code from building fund

C. Transferring Fund 360 (construction funds) into Fund 400 (debt service fund):

Debit or Credit	ORG	information about entries
Debit	0003613-0914	\$30,000 – transfer-out expenditure code from construction fund
Credit	36-6101	\$30,000 – cash coming out of construction fund (balance sheet cash)
Debit	40-6101	\$30,000 – cash going into debt service fund (balance sheet cash)
Credit	400-5210	\$30,000 – transfer-in revenue code from construction fund

Step II: Recording payments from the debt service fund:

- A. ***Project numbers:*** KDE recommends using project numbers in the debt service fund to separate payments by type and bond issue. The recommended project numbers are as follows:

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

“BDXX” - where XX is the fiscal year of the local bond issue – for use with bond payments made directly by the district (not on-behalf payments)

If more than one bond issuance occurs in a fiscal year, then attach a number to the end of the project number (i.e., BDXX1, BDXX2).

- B. *Sample entry:* The following org codes and expenditure object codes shall be used for the principal and interest payments made directly by a school district.

Debit or Credit	ORG	Object Code description
Debit	0004112-0831-(project number)	principal
Debit	0004112-0832-(project number)	interest
Credit	40-6101	cash

(Note: Every expenditure object code in debt service fund should have a project number attached.)

Bond Payments Made by SFCC On-Behalf of School Districts

Recording on-behalf payments made by SFCC for bonds:

The School Facilities Construction Commission (SFCC) provides the document entitled "Debt Service for On-Behalf Payments for SFCC" that details the debt service payments made by SFCC for bonds on-behalf of local school districts. Payments are made by SFCC directly to the district's debt service account at the bank financing the bond. The on-behalf payments shall be recorded as on-behalf revenue in the debt service fund by crediting revenue object code 3900. The bond payments made by SFCC on-behalf of the districts are required to be posted to the unaudited and audited Annual Financial Reports (AFRs) in each fiscal year to accurately reflect revenues and expenditures of the districts.

- A. *Project numbers:* KDE recommends the use of project numbers for all debt recorded in this debt service fund to separate payment by type and bond issuance.

To record the SFCC on-behalf payment, use project number “SFXX”, replacing XX with the last two digits of the fiscal year in which the bond was originally sold. For example, the project code for a 2001 bond issuance would be SF01. If more than one bond is issued in a fiscal year, attach a number to the end of the project number (i.e., SFXX1, SFXX2).

- B. *Sample entry:* The following org codes and expenditure object codes shall be used for the principal and interest payments made by SFCC on-behalf of a school district:

Debit or Credit	ORG	Object Code description
Debit	0004112-0831-SFXX	principal
Debit	0004112-0832-SFXX	interest
Credit	400-3900-SFXX	on-behalf revenue

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Example Accounting Journal Entries on Advanced Refunding Bond:

The following examples may not exactly look like the documents the district receives for a bond issuance. Some bond underwriters net the costs of issuance against the bond proceeds and disperse a check (wire transfer) for the net difference. The following information shows what the district needs to report.

Advance Refunding Bond Assumption Example:

12 years remaining on refunding bond with interest payable each February 1 and August 1 and principal payable on August 1, with first interest payable beginning August 1, 2013. Sold February 21, 2013, dated March 1, 2013, delivery (closing date) March 14, 2013.

Description	Amounts per line	Total of amounts per line
From Purchaser		
New Issue Par Amount (Refunding)	\$4,490,000.00	
Add Accrued Interest	\$ 2,652.18	
Add - Premium on New Bond Sold (Refunding)	\$0.00	
Subtract – <u>Underwriters</u> Discount New Bond Sold (Refunding)	(\$25,362.53)	
Deduct - Good Faith Deposit from District (Wire Transfer)		
Total Due from Purchaser	(\$89,800.00)	\$4,377,489.65
Sources: From Purchaser	\$4,377,489.65	
Add - Good Faith Deposit		
Total Sources by District:	\$89,800.00	\$4,467,289.65
Uses:		
Old Issue Balance (Refunded)	\$4,422,174.00	
Bond Issuance Cost + Paying Agent Fees	\$ 40,240.00	
Accrued Interest (Refunded Issues)	\$2,652.18	
Contingency –Excess		
Total Uses by District	<u>\$2,222.61</u>	\$4,467,289.65

Contingency – Excess will remain in the escrow account to be pay toward future bond payments on the new refunding bond.

Two wire transfers on the settlement date:

1. Accrued interest is sent to the district in the amount of \$2,652.18
2. Good Faith Deposit \$89,800.00 is sent to the escrow account from the district
3. Net proceeds from the new issue Par \$4,490,000 plus Premium \$ 0.00 minus Underwriter's Discount (\$25,362.53) minus Bond Issuance Cost (\$40,240.00) minus Good Faith Deposit (\$89,800.00) are sent to the escrow account in the amount of \$4,334,597.47

The district then sends a check to the escrow account to fully defease the old issue:

\$ 37,240.00 Bond Issuance Cost plus paying agent fees (from General Funds or Capital Funds or Debt Services)
\$3,000.00 Paying Agent Fees (from Debt Service Funds or Capital Funds)

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Calculation of Contingency Excess or (Interest Expense) –Deferred In-flow or (Out-flow) of Resources:

Description	Amounts
New Issue + Premium – Discount	\$4,467,289.65
Minus -Bond Issuance Cost + Accrued Interest	(<u>\$42,892.18</u>)
Net Amount received from New Issue	\$1,447,730.39
Plus - Amount of District Contribution	\$0.00
Minus - Old Issue	(<u>\$4,422,174.86</u>)
Contingency Excess or (Interest Expense) – Deferred In-flow (Out-flow)	\$2,222.61

Principal Remaining to be paid on Old Issue Balance (Refunded):

Date	Amount	Fiscal Year
8/1/2013	\$145,000.00	FY 2014
8/1/2014	\$155,000.00	FY 2015
8/1/2015	\$160,000.00	FY 2016

Interest Remaining to be paid on Old Issue Balance (Refunded):

Date	Amount	Fiscal Year
8/1/2013	\$8,287.50	FY 2014
2/1/2014	\$5,750.00	FY 2014
8/1/2014	\$5,750.00	FY 2015
2/1/2015	\$2,960.00	FY 2015
8/1/2015	\$2,960.00	FY 2016

Fiscal Year 2014 Principal Payment on Old Issue	\$145,000.00
Fiscal Year 2014 Interest Payment on Old Issue	\$14,037.50

Revenue in debt service fund 400:

Proceeds from New Issue of Refunding Bonds	\$4,490,000.00
Earnings on Investments (Accrued Interest)	\$2,652.18

Expenditures in debt service fund 400:

Description	Amount
Principal	\$4,422,174.00
Other (Fin. Fees, Etc.) – Bond Issuance Cost + Paying Agent Fees	\$40,240.00
<i>Underwriter's</i> Discount – Bond Issuance Cost	\$ 25,362.53

Debt Service Schedule- New Refunding Issue:

Date		Local Principal	Local Interest	Less Accrued	Less Contingency	Local Total	Grand Total
1-Aug-13	1.40%	\$85,000	\$30,602.08	(\$2,652.18)	(\$2,222.61)	\$110,727.29	\$110,727.29
1-Feb-14			\$36,127.50			\$36,127.50	\$36,127.50
1-Aug-14	1.40%	\$65,000	\$36,127.50			\$101,127.50	\$101,127.50
1-Feb-15			\$35,672.50			\$35,672.50	\$35,672.50
1-Aug-15	1.40%	\$70,000	\$35,672.50			\$105,672.50	\$105,672.50
1-Feb-16			\$35,182.50			\$35,182.50	\$35,182.50
1-Aug-16	1.40%	\$230,000	\$35,182.50			\$265,182.50	\$265,182.50
1-Feb-17			\$33,572.50			\$33,572.50	\$33,572.50

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Date		Local Principal	Local Interest	Less Accrued	Less Contingency	Local Total	Grand Total
1-Aug-17	1.40%	\$425,000	\$33,572.50			\$458,572.50	\$458,572.50
1-Feb-18			\$30,597.50			\$30,597.50	\$30,597.50
1-Aug-18	1.40%	\$430,000	\$30,597.50			\$460,597.50	\$460,597.50
1-Feb-19			\$27,587.50			\$27,587.50	\$27,587.50
1-Aug-19	1.40%	\$435,000	\$27,587.50			\$462,587.50	\$462,587.50
1-Feb-20			\$24,542.50			\$24,542.50	\$24,542.50
1-Aug-20	1.40%	\$440,000	\$24,542.50			\$464,542.50	\$464,542.50
1-Feb-21			\$21,462.50			\$21,462.50	\$21,462.50
1-Aug-21	1.40%	\$445,000	\$21,462.50			\$466,462.50	\$466,462.50
1-Feb-22			\$18,347.50			\$18,347.50	\$18,347.50
1-Aug-22	1.40%	\$455,000	\$18,347.50			\$473,347.50	\$473,347.50
1-Feb-23			\$15,162.50			\$15,162.50	\$15,162.50
1-Aug-23	2.10%	\$460,000	\$15,162.50			\$475,162.50	\$475,162.50
1-Feb-24			\$10,332.50			\$10,332.50	\$10,332.50
1-Aug-24	2.15%	\$470,000	\$10,332.50			\$480,332.50	\$480,332.50
1-Feb-25			\$5,280.00			\$5,280.00	\$5,280.00
1-Aug-25	2.20%	\$480,000	\$5,280.00			\$485,280.00	\$485,280.00
TOTAL		\$4,490,000	\$618,337.00	(\$2,652)	(\$2,223)	\$4,644,890.00	\$5,103,462.00

Advanced Refunding Bond - Journal Entries

Entries to record the new refunding bond issue:

General journal entry to record the amount of monies received for accrued interest upon issuance of advanced refunding bonds:

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/14/2013	Cash	40-6101	2,652.18	
	Accrued Bond Interest	400-5130		\$2,652.18

General journal entry to record the amount of Deferred In flow 7700 or Deferred Out Flow 6400 of Resources upon issuance of advanced refunding bonds:

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/14/2013	Cash with Fiscal Agent	40-6105	\$2,222.61	
	Deferred Inflow of Resources	40-7700		\$2,222.61

General journal entry to record the payment of a refunding bond with a discount:

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/14/2013	Cash	40-6101	\$4,464,637.47	
	Underwriter's Discount- Bond Issuance Cost	0004112-0834	\$25,362.53	
	Other Financing Sources – <u>Refunding Bond - Principal Proceeds</u>	400-5110		\$4,490,000.00

Note – Please use transfer entries from fund(s) 310 and 320 into fund 400, unless a portion or all of bond is being paid with general fund I money, then also use transfer entry from general fund 1 to fund 400.

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/14/2013	Cash with Fiscal Agent	40-6105	\$89,800.00	
	Cash	40-6101		\$89,800.00

General journal entry to record the payment of bond issuance cost **and** paying agent fees with escrow account money:

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/14/2013	Bond Issuance Cost	0004112-0833	\$40,240.00	
	<u>Cash with Fiscal Agent</u>	40-6105		\$40,240.00

OR

General journal entry to record the payment of bond issuance cost minus paying agent fees with general fund 1 money:

Date	Debt Service Fund 400 Entry	ORG/ Acct Code	Debit	Credit
3/14/2013	Bond Issuance & Other Debt Related Costs	0004112-0833	\$37,240.00	
	Cash	10-6101		\$37,240.00

General journal entry to record the payment of paying agent fees with debt service money:

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/14/2013	Bond Issuance & Other Debt-Related Costs	0004112-0833	\$3,000.00	
	Cash	40-6101		\$3,000.00

General journal entries to transfer-out capital outlay 310 fund and building fund 320 **to** fund 400 so that the new refunding 8/1/2013 interest expense and redemption of principal can be paid from debt service fund 400. (If paying with capital outlay and/or building funds):

Date	Fund 310 Transfers Out Entry	ORG/Acct Code	Debit	Credit
8/1/2013	Fund Transfer for Debt Service	0003113-0914	\$15,602.08	
	Cash (From Capital Outlay Fund)	31-6101		\$15,602.08
Date	Fund 320 Transfers Out Entry	ORG/ Acct Code	Debit	Credit
8/1/2013	Fund Transfer for Debt Service	0003213-0914	\$100,000.00	
	Cash (From Building Fund)	32-6101		\$100,000.00

General journal entries to record cash transfer into debt service fund 400 from 310 and 320 funds so that the new refunding 8/1/2013 interest expense and redemption of principal can be recorded and paid out of debt service fund 400:

Date	Debt Service Fund 400 Transfers In Entries	ORG/Acct Code	Debit	Credit
8/1/2013	Cash (310 cash into Debt Service)	40-6101	\$15,602.08	
	Fund Transfer In (from Capital Outlay)	400-5210		\$15,602.08

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Date	Debt Service Fund 400 Transfers In Entries	ORG/Acct Code	Debit	Credit
8/1/2013	Cash (320 cash into Debt Service)	40-6101	\$100,000.00	
	Fund Transfer In (from Building Fund)	400-5210		\$100,000.00

General journal entry to record new refunding 8/1/2013 interest expense and redemption of principal:

Date	Debt Service Fund 400 Payment Entry	ORG/Acct Code	Debit	Credit
8/1/13	Interest Expense	0004112-0832	\$ 30,602.08	
	Redemption of Principal	0004112-0831	\$85,000.00	
	Expense Cash	40-6101		\$115,602.08

General journal entries to transfer-out capital outlay 310 fund and building fund 320 **to** fund 400 so that the new Refunding 2/1/2014 interest expense and redemption of principal can be paid from debt service fund 400 (*If paying with capital outlay and/or building funds*): Note -if some or all of bonds are being paid with general fund 1 money, then also use transfer entry from general fund 1 to fund 400.

Date	Fund 310 Transfers Out Entry	ORG/Acct Code	Debit	Credit
2/1/14	Fund Transfer for Debt Service	0003113-0914	\$36,127.50	
	Cash (From Capital Outlay Fund)	31-6101		\$36,127.50

Date	Fund 320 Transfers Out Entry	ORG/Acct Code	Debit	Credit
2/1/14	Fund Transfer for Debt Service	0003213-0914	\$0.00	
	Cash (From Building Fund)	32-6101		\$0.00

General journal entries to record cash transfer into debt service fund 400 **from** 310 and 320 funds so that the new refunding 2/1/2014 interest expense and redemption of principal can be recorded and paid out of debt service fund 400:

Date	Debt Service Fund 400 Transfers In Entry	ORG/Acct Code	Debit	Credit
2/1/14	Cash (310 cash into Debt Service)	40-6101	\$36,127.50	
	Fund Transfer In (from Capital Outlay)	400-5210		\$36,127.50
2/1/14	Cash (320 cash into Debt Service)	40-6101	\$0.00	
	Fund Transfer In (from Building Fund)	400-5210		\$0.00
Date	Debt Service Fund 400 Payment Entry	ORG/Acct Code	Debit	Credit
2/1/14	Interest Expense	0004112-0832	\$36,127.50	
	Redemption of Principal Expense	0004112-0831	\$0.00	

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Date	Debt Service Fund 400 Transfers In Entry	ORG/Acct Code	Debit	Credit
	Cash	40-6101		\$36,127.50

General journal entry to record the **bond principal retirement on the refunded** bond issue:

Date	Debt Service Fund 400 Payment Entry	ORG/Acct Code	Debit	Credit
3/14/2013	Other Financing Uses –Bond Principal Retirement Transfer to Bond Escrow Agent - Advance Refunding Bonds	400-5110	\$4,422,174.00	
	Cash with Fiscal Agent	40-6105		\$4,422,174.00

General journal entries to record the district payment of the required remaining interest and principal payments on the **old bond issue**:
Note – Please use the same transfer entries from fund(s) 310 and 320 into fund 400 as shown for the new bond issue prior to making the principal and interest payment. Also, if some or all of the bonds are being paid with general fund 1 money, then also use transfer entry from general fund 1 to fund 400.

Date	Debt Service Fund 400 Payment Entry	ORG/Acct Code	Debit	Credit
FY 2014 8/1/2013	Interest Expense	0004112-0832	\$8,287.50	
	Redemption of Principal Expense	0004112-0831	\$145,000.00	
	Cash	40-6101		\$153,287.50
Date	Debt Service Fund 400 Payment Entry	ORG/Acct Cod	Debit	Credit
2/1/2014	Interest Expense	0004112-0832	\$5,750.00	
	Cash	40-6101		\$5,750.00

Date FY 15	Debt Service Fund 400 Payment Entry	ORG/Acct Code	Debit	Credit
8/1/2014	Interest Expense	0004112-0832	\$5,750.00	
	Redemption of Principal Expense	0004112-0831	\$155,000.00	
	Cash	40-6101		\$160,750.00
Date	Debt Service Fund 400 Payment Entry	ORG/Acct Code	Debit	Credit
2/1/2015	Interest Expense	0004112-0832	\$2,960.00	
	Cash	40-6101		\$2,960.00
Date FY 16	Debt Service Fund 400 Payment Entry	ORG/Acct Code	Debit	Credit
8/1/2015	Interest Expense	0004112-0832	\$2,960.00	
	Redemption of Principal Expense	0004112-0831	\$160,000.00	
	Cash	40-6101		\$162,960.00

CAPITAL LEASES
Example Accounting Journal Entries on Current Refunding Bond

Current Refunding Bond Assumption Example:

10 years remaining on refunding bond with interest payable each April 1 and October 1 and principal payable on April 1, with first interest payable beginning October 1, 2013. Sold March 5, 2013, dated March 26, 2013, delivery (closing date) March 26, 2013.

<u>From Purchaser</u>	Amounts	Totals
<u>New</u> Issue Par Amount (Refunding)	\$1,460,000.00	
Add -Accrued Interest	\$0.00	
Add - Premium on New Bond Sold (Refunding)	\$11,230.39	
Subtract - Discount on New Bond Sold (Refunding)	\$0.00	
Deduct - Good Faith Deposit from District (Wire Transfer)	(\$29,200.00)	
Total Due from Purchaser		\$1,442,030.39
<u>Sources:</u>		
From Purchaser		
	\$1,442,030.39	
Add - Good Faith Deposit	\$29,200.00	
Total Sources by District:		\$1,471,230.39
<u>Uses:</u>		
<u>Old</u> Issue Balance (Refunded)	\$1,446,445.00	
Bond Issuance Cost =Paying Agent Fees	\$23,500.00	
Accrued Interest (Paid to the district On <u>Refunded</u> Issues)	\$0.00	
Contingency –Excess	\$1,285.39	
Total Uses by District		\$1,471,230.39

Contingency – Excess will remain in the escrow account to be pay toward future bond payments on the new refunding bond.

Three wire transfers on the settlement date:

1. Accrued interest is sent to the district in the amount of \$0.00
2. Good Faith Deposit\$29,200.00 is sent to the escrow account from the district
3. Net proceeds from the new issue Par \$1,460,000 plus Premium \$ 11,230.39 minus Discount (\$0.00) minus (Bond Issuance Cost + Paying Agent Fees) (\$23,500.00) minus Good Faith Deposit(\$29,200.00) are sent to the escrow account in the amount of\$1,418,530.39

The district then sends a check to the escrow account to fully defease the old issue:

\$ 19,500.00	Bond Issuance Cost (from General Funds or Debt Service Funds or Capital Funds)
\$4,000.00	Paying Agent Fees (Debt Service Funds or Capital Funds)
+ 0.00	Future Interest Payments (From Debt Service Funds or Capital Funds)
\$ 23,500.00	Total District Contribution

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Capital Leases Current Refunding Bonds illustration	Totals
Revenue in Debt Service Fund 400:	
Proceeds from New Issue of Refunding Bonds	\$1,460,000.00
Earnings on Investments (Accrued Interest)	\$0.00
Expenditures in Debt Service Fund 400	
Principal	\$1,446,445.00
Interest	\$0.00
Other (Fin. Fees, Etc.) – Bond Issuance Cost + Paying Agent Fees	\$23,500.00

On Current Refunding defeased bonds that are no longer on the district's books and the refunded bonds (old bonds) have been paid off. The money in the escrow account is not listed in fund balances.

Calculation of Contingency Excess or (Interest Expense) – Deferred Inflow (Outflow):

Descriptions	Totals
New Issue + Premium – Discount	\$1,471,230.39
Minus -Bond Issuance Cost + Accrued Interest	(<u>\$23,500.00</u>)
Net Amount received from New Issue	\$1,447,730.39
Plus - Amount of District Contribution	\$0.00
Minus - Old Issue	(<u>\$1,446,445.00</u>)
Contingency Excess or (Interest Expense) – Deferred Inflow (Outflow)	\$1,285.39

Debt Service Schedule- New Refunding Issue:

Date	Coupon	Local Principal	Local Interest	Less: Accrued	Less: Rounding	Local Total	Grand Total
1-Oct-13			\$12,050.69		(\$1,285.39)	\$10,765.30	\$10,765.30
1-Apr-14	1.00%	\$145,000	\$11,725.00			\$156,725.00	\$156,725.00
1-Oct-14			\$11,000.00			\$11,000.00	\$11,000.00
1-Apr-15	1.00%	\$145,000	\$11,000.00			\$156,000.00	\$156,000.00
1-Oct-15			\$10,275.00			\$10,275.00	\$10,275.00
1-Apr-16	1.00%	\$145,000	\$10,275.00			\$155,275.00	\$155,275.00
1-Oct-16			\$9,550.00			\$9,550.00	\$9,550.00
1-Apr-17	1.00%	\$140,000	\$9,550.00			\$149,550.00	\$149,550.00
1-Oct-17			\$8,850.00			\$8,850.00	\$8,850.00
1-Apr-18	2.00%	\$140,000	\$8,850.00			\$148,850.00	\$148,850.00
1-Oct-18			\$7,450.00			\$7,450.00	\$7,450.00
1-Apr-19	2.00%	\$145,000	\$7,450.00			\$152,450.00	\$152,450.00
1-Oct-19			\$6,000.00			\$6,000.00	\$6,000.00
1-Apr-20	2.00%	\$145,000	\$6,000.00			\$151,000.00	\$151,000.00
1-Oct-20			\$4,550.00			\$4,550.00	\$4,550.00
1-Apr-21	2.00%	\$150,000	\$4,550.00			\$154,550.00	\$154,550.00
1-Oct-21			\$3,050.00			\$3,050.00	\$3,050.00
1-Apr-22	2.00%	\$150,000	\$3,050.00			\$153,050.00	\$153,050.00
1-Oct-22			\$1,550.00			\$1,550.00	\$1,550.00
1-Apr-23	2.00%	\$155,000	\$1,550.00			\$156,550.00	\$156,550.00
Total		\$1,460,000	\$148,325.69	\$0	(\$1,285.39)	\$1,608,325.61	\$1,608,325.61

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Current Refunding Bond - Journal Entries

Entries to record the issuance of the **new bonds**:

General journal entry to record the amount of monies received for **accrued interest** upon issuance of the bonds:

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/26/2013	Cash	40-6101	\$ 0.00	
	Accrued Bond Interest	400-5130		\$ 0.00

General journal entry to record the payment of a refunding bond with a premium:

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/26/2013	Cash	40-6101	\$1,471,230.39	
	Other Financing Sources - Bond Premium	400-5120		\$11,230.39
	Other Financing Sources – Refunding Bond Principal Proceeds	400-5110		\$1,460,000.00

General journal entry to record the good faith deposit from district (Wire Transfer):

Note – Please use transfer entries from fund(s) 310 and 320 into fund 400, unless a portion or all of bond are being paid with general fund 1 money, then also use transfer entry from general fund 1 to fund 400.

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/26/2013	Cash with Fiscal Agent	40-6105	\$29,200.00	
	Cash	40-6101		\$29,200.00

General journal entry to record the payment of bond issuance and paying agent fees with debt service fund 400 money:

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/26/2013	Bond Issuance Cost	0004112-0833	\$23,500.00	
	<u>Cash with Fiscal Agent</u>	40-6105		\$23,500.00

Or

General journal entry to record the payment of bond issuance minus paying agent fees with general fund 1 money:

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/26/2013	Bond Issuance Cost	0004112-0833	\$19,500.00	
	Cash	10-6101		\$19,500.00

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

General journal entry to record the payment of paying agent fees with debt service fund 400 money:

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/26/2013	Bond Issuance Cost	0004112-0833	\$4,000.00	
	Cash	40-6101		\$4,000.00

General journal entries to transfer-out capital outlay 310 fund and building fund 320 to fund 400 so that the new refunding 10/1/2013 interest expense and redemption of principal can be paid from debt service fund 400. (If paying with capital outlay and/or building funds):

Date	Fund 310 Transfers Out Entry	ORG/Acct Code	Debit	Credit
10/1/2013	Fund Transfer for Debt Service	0003113-0914	\$10,765.30	
	Cash (from capital outlay fund)	31-6101		\$10,765.30

Date	Fund 320 Transfers Out Entry	ORG/Acct Code	Debit	Credit
10/1/2013	Fund Transfer for Debt Service	0003213-0914	\$0.00	
	Cash (from building fund)	32-6101		\$0.00

General journal entries to record cash transfer into debt service fund 400 from fund(s) 310 and 320 funds so that the new refunding 10/1/2013 interest expense and redemption of principal can be recorded and paid out of debt service fund 400

Date	Debt Service Fund 400 Transfers In Entries	ORG/Acct Code	Debit	Credit
10/1/2013	Cash (310 cash into Debt Service)	40-6101	\$10,765.30	
	Fund Transfer In (from capital outlay Fund)	400-5210		\$10,765.30
Date	Debt Service Fund 400 Transfers In Entries	ORG/Acct Code	Debit	Credit
10/1/2013	Cash (320 cash into debt service)	40-6101	\$0.00	
	Fund Transfer In (from building fund)	400-5210		\$0.00

General journal entry for new refunding to record 10/1/2013 interest expense and redemption of principal

Date	Debt Service Fund 400 Payment Entry	ORG/Acct Code	Debit	Credit
10/1/2013	Interest Expense	0004112-0832	\$10,765.30	
	Redemption of Principal Expense	0004112-0831	\$0.00	
	<u>Cash with Fiscal Agent</u>	40-6105		\$10,765.30

General journal entries to transfer-out capital outlay 310 funds and building fund 320 to fund 400 so that the new refunding 4/1/2014 interest expense and redemption of principal can be paid from debt service fund 400. (If paying with capital outlay and/or building funds):

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Date	Fund 310 Transfers Out Entry	ORG/Acct Code	Debit	Credit
4/1/2014	Fund Transfer for Debt Service	0003113-0914	\$36,725.00	
	Cash (from capital outlay fund)	31-6101		\$36,725.00

Date	Fund 320 Transfers Out Entry	ORG/Acct Code	Debit	Credit
4/1/2014	Fund Transfer for Debt Service	0003213-0914	\$120,000.00	
	Cash (from building fund)	32-6101		\$120,000.00

General journal entries to record cash transfer into debt service fund 400 from 310 and 320 funds so that the new refunding 4/1/2013 interest expense and redemption of principal can be recorded and paid out of debt service fund 400:

Date	Debt Service Fund 400 Transfers In Entries	ORG/Acct Code	Debit	Credit
4/1/2014	Cash (310 cash into debt service)	40-6101	\$36,725.00	
	Fund Transfer In (from capital outlay Fund)	400-5210		\$36,725.00
4/1/2014	Cash (320 cash into debt service)	40-6101	\$120,000.00	
	Fund Transfer In (from building fund)	400-5210		\$120,000.00

General journal entry for new refunding to record 4/1/2014 interest expense and redemption of principal:

Date	Debt Service Fund 400 Payment Entry	ORG/Acct Code	Debit	Credit
4/1/2014	Interest Expense	0004112-0832	\$11,725.00	
	Redemption of Principal Expense	0004112-0831	\$145,000.00	
	Cash	40-6101		\$156,725.00

General journal entry to record the bond principal retirement on the refunded bond issue:

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/26/2013	Other Financing Uses –Bond Principal Retirement Transfer to Bond Escrow Agent-Refunding Bonds	400-5110	\$1,446,445.00	
	<u>Cash with Fiscal Agent</u>	40-6105		\$1,446,445.00

General journal entry to record the district payment of the required future interest payment to fully defease the old bond issue:

Date	Debt Service Fund 400 Payment Entry	ORG/Acct Code	Debit	Credit
3/26/2013	Interest Expense	0004112-0832	\$0.00	
	Cash	40-6101		\$0.00

Example Accounting Journal Entries on Revenue Bond:

The following examples may not exactly look like the documents the district receives for a bond issuance. Some bond underwriters net the costs of issuance against the bond proceeds and disperse a check (wire transfer) for the net difference. The following information shows what the district needs to report.

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Revenue Bond Assumption Example:

Revenue bond with interest payable each March 1 and September 1 and principal payable on March 1, with first interest payable beginning March 1, 2015. Sold March 18, 2014, dated March 1, 2014, delivery (closing date) April 08, 2014.

<u>From Purchaser</u>	Amounts	Total Amount
Par Amount	\$17,700,000.00	
Add -Accrued Interest	\$60,529.69	
Deduct –Discount on Revenue Bond Sold	(\$260,419.15)	
Deduct - Good Faith Deposit from District (Wire Transfer)	(<u>\$354,000.00</u>)	
Total Due from Purchaser		\$17,146,110.54

<u>Sources:</u>	Amounts	Total Amount
From Purchaser	\$17,146,110.54	
Add - Good Faith Deposit	<u>\$354,000.00</u>	
Total <u>Sources</u> by District:		\$17,500,110.54
<u>Uses:</u>		
Deposit to Construction Fund 360	\$17,343,580.85	
Remit to Ross, Sinclaire their Fiscal Agent Fee	\$60,535.00	
Remit to Steptoe & Johnson their Bond Counsel Fee	\$17,965.00	
Remit to U.S. Bank their Lump Sum Paying Agent Fee	\$3,500.00	
Remit to Moody’s their Rating Fee	\$14,000.00	
Deposit Accrued Interest to Bond Fund	\$60,529.69	
Total <u>uses</u> by District		\$17,500,110.54

Revenue Bond illustration

Revenue In Construction Fund 360

Proceeds from Revenue Bond	\$17,700,000.00
Earnings on Investments (Accrued Interest)	\$60,529.69

Expenditures In Debt Service Fund 400

Other (Fin. Fees, Etc.) – <u>Bond Issuance Cost + Paying Agent Fees</u>	\$96,000.00
<i>Underwriter’s Discount – Bond Issuance Cost</i>	\$260,419.15

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Debt Service Schedule:

Date	Coupon	Local Principal	Local Interest	Less Accrued	Local Total	Grand Total
1-Sep-14			\$294,468.75	(\$60,529.69)	\$233,939.06	\$233,939.06
1-Mar-15	2.000%	\$500,000	\$294,468.75		\$794,468.75	\$794,468.75
1-Sep-15			\$289,468.75		\$289,468.75	\$289,468.75
1-Mar-16	2.000%	\$475,000	\$289,468.75		\$764,468.75	\$764,468.75
1-Sep-16			\$284,718.75		\$284,718.75	\$284,718.75
1-Mar-17	2.000%	\$485,000	\$284,718.75		\$769,718.75	\$769,718.75
1-Sep-17			\$279,868.75		\$279,868.75	\$279,868.75
1-Mar-18	2.000%	\$495,000	\$279,868.75		\$774,868.75	\$774,868.75
1-Sep-18			\$274,918.75		\$274,918.75	\$274,918.75
1-Mar-19	3.000%	\$510,000	\$274,918.75		\$784,918.75	\$784,918.75
1-Sep-19			\$267,268.75		\$267,268.75	\$267,268.75
1-Mar-20	3.000%	\$520,000	\$267,268.75		\$787,268.75	\$787,268.75
1-Sep-20			\$259,468.75		\$259,468.75	\$259,468.75
1-Mar-21	3.000%	\$535,000	\$259,468.75		\$794,468.75	\$794,468.75
1-Sep-21			\$251,443.75		\$251,443.75	\$251,443.75
1-Mar-22	3.000%	\$550,000	\$251,443.75		\$801,443.75	\$801,443.75
1-Sep-22			\$243,193.75		\$243,193.75	\$243,193.75
1-Mar-23	3.000%	\$565,000	\$243,193.75		\$808,193.75	\$808,193.75
1-Sep-23			\$234,718.75		\$234,718.75	\$234,718.75
1-Mar-24	3.000%	\$585,000	\$234,718.75		\$819,718.75	\$819,718.75
1-Sep-24			\$225,943.75		\$225,943.75	\$225,943.75
1-Mar-25	3.000%	\$600,000	\$225,943.75		\$825,943.75	\$825,943.75
1-Sep-25			\$216,943.75		\$216,943.75	\$216,943.75
1-Mar-26	3.000%	\$615,000	\$216,943.75		\$831,943.75	\$831,943.75
1-Sep-26			\$207,718.75		\$207,718.75	\$207,718.75
1-Mar-27	3.250%	\$640,000	\$207,718.75		\$847,718.75	\$847,718.75
1-Sep-27			\$197,318.75		\$197,318.75	\$197,318.75
1-Mar-28	3.375%	\$1,345,000	\$197,318.75		\$1,542,318.75	\$1,542,318.75
1-Sep-28			\$174,621.88		\$174,621.88	\$174,621.88
1-Mar-29	3.500%	\$1,395,000	\$174,621.88		\$1,569,621.88	\$1,569,621.88
1-Sep-29			\$150,209.38		\$150,209.38	\$150,209.38
1-Mar-30	3.625%	\$1,435,000	\$150,209.38		\$1,585,209.38	\$1,585,209.38
1-Sep-30			\$124,200.00		\$124,200.00	\$124,200.00
1-Mar-31	3.625%	\$1,510,000	\$124,200.00		\$1,634,200.00	\$1,634,200.00
1-Sep-31			\$96,831.25		\$96,831.25	\$96,831.25
1-Mar-32	3.750%	\$1,575,000	\$96,831.25		\$1,671,831.25	\$1,671,831.25
1-Sep-32			\$67,300.00		\$67,300.00	\$67,300.00
1-Mar-33	4.000%	\$1,645,000	\$67,300.00		\$1,712,300.00	\$1,712,300.00
1-Sep-33			\$34,400.00		\$34,400.00	\$34,400.00
1-Mar-34	4.000%	\$1,720,000	\$34,400.00		\$1,754,400.00	\$1,754,400.00
Totals:		17,700,000.00	8,350,050.02	(\$60,529.69)	\$25,989,520.33	\$25,989,520.33

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Revenue Bond - Journal Entries

Entries to record the issuance of the **Revenue bond**:

General journal entry recording monies received for accrued interest upon issuance of the bonds:

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/01/2014	Cash	40-6101	\$60,529.69	
	Accrued Bond Interest	400-5130		\$60,529.69

General journal entry to record the payment of a revenue bond with a discount:

Date	Construction Fund 360 Entry	ORG/Acct Code	Debit	Credit
3/1/2014	Cash	36-6101	\$17,343,580.85	
	Other financing Uses- Bond Discounts	0003612-0925	\$260,419.15	
	Other Financing Sources – Principal Proceeds	360-5110		\$17,604,000.00

General journal entry to record the good faith deposit from district (Wire Transfer):

Note – Please use transfer entries from fund(s) 310 and 320 into fund 400, unless some or all of bond are being paid with general fund 1 money, then also use transfer entry from general fund 1 to fund 400.

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/1/2014	Cash with Fiscal Agent	40-6105	\$354,000.00	
	Cash	40-6101		\$354,000.00

General journal entry recording payment of bond issuance & paying agent fees debt service fund 400

(Please note: an additional entry may need to be made to transfer this money **into** the debt service fund **from** Construction Fund 360, **or** Capital Fund 310, Building Fund 320 and/or General Fund, if additional funds are need to cover this cost):

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/1/2014	Bond Issuance & Other Debt Related Costs 3	0004112-0833	\$96,000.00	
	Cash with Fiscal Agent	40-6105		\$96,000.00

Or

General journal entry recording payment of bond issuance less paying agent fees with general fund:

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/1/2014	Bond Issuance & Other Debt Related Costs	0004112-0833	\$92,500.00	
	Cash	10-6101		\$95,500.00

General journal entry to record the payment of paying agent fees with debt service fund 400 money:

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Date	Debt Service Fund 400 Entry	ORG/Acct Code	Debit	Credit
3/1/2014	Bond Issuance & Other Debt Related Costs	0004112-0833	\$3,500.00	
	Cash with Fiscal Agents	40-6105		\$3,500.00

General journal entries to transfer-out capital outlay 310 fund and building fund 320 to fund 400

(so that the revenue bond 9/1/2014 interest expense and redemption of principal can be paid from debt service fund 400. (If paying with capital outlay and/or building funds)):

Date	Fund 310 Transfers Out Entry	ORG/Acct Code	Debit	Credit
9/1/14	Fund Transfer for Debt Service	0003113-0914	\$0.00	
	Cash (from capital outlay fund)	31-6101		\$0.00
Date	Fund 320 Transfers Out Entry	ORG/Acct Code	Debit	Credit
9/1/14	Fund Transfer for Debt Service	0003213-0914	\$233,939.06	
	Cash (from building fund)	32-6101		\$233,939.06

General journal entries recording cash transfer to debt service fund 400 from fund(s) 310 and 320

(so that the Revenue Bond 9/1/2014 interest expense and redemption of principal can be recorded and paid out of debt service fund 400)

Date	Debt Service Fund 400 Transfers In Entries	ORG/Acct Code	Debit	Credit
9/1/2014	Cash (310 cash into debt service)	40-6101	\$0.00	
	Fund Transfer In (from capital outlay Fund)	400-5210		\$0.00
9/1/2014	Cash (320 cash into debt service)	40-6101	\$233,939.06	
	Fund Transfer In (from building fund)	400-5210		\$233,939.06

General journal entry for Revenue to record 9/1/2014 interest expense and redemption of principal

Date	Debt Service Fund 400 Payment Entry	ORG/Acct Code	Debit	Credit
9/1/2014	Interest Expense	0004112-0832	\$233,939.06	
	Redemption of Principal Expense	0004112-0831	\$0.00	
	Cash	40-6101		\$233,939.06

General journal entries to transfer-out capital outlay 310 funds and building fund 320 to fund 400

(so that the revenue bond 3/1/2015 interest expense and redemption of principal can be paid from debt service fund 400. (If paying with capital outlay and/or building funds)):

Date	Fund 310 Transfers Out Entry	ORG/Acct Code	Debit	Credit
3/1/2015	Fund Transfer to Debt Service	0003113-0914	\$194,468.75	

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

Date	Fund 310 Transfers Out Entry	ORG/Acct Code	Debit	Credit
	Cash (from capital outlay fund)	31-6101		\$194,468.75
Date	Fund 320 Transfers Out Entry	ORG/Acct Code	Debit	Credit
3/1/2015	Fund Transfer to Debt Service	0003213-0914	\$600,000.00	
	Cash (from building fund)	32-6101		\$600,000.00

General journal entries to record cash transfer into debt service fund 400 from 310 and 320 funds (so that the revenue bond 3/1/2015 interest expense and redemption of principal can be recorded and paid out of debt service fund 400):

Date	Debt Service Fund 400 Transfers In Entries	ORG/Acct Code	Debit	Credit
3/1/2015	Cash (310 cash into debt service)	40-6101	\$194,468.75	
	Fund Transfer In (from capital outlay fund)	400-5210		\$194,468.75
Date	Debt Service Fund 400 Transfers In Entries	ORG/Acct Code	Debit	Credit
3/1/2015	Cash (320 cash into debt service)	40-6101	\$600,000.00	
	Fund Transfer In (from building fund)	400-5210		\$600,000.00

General journal entry for interest expense & redemption of principal:
(For revenue bond recording for 3/1/2015)

Date	Debt Service Fund 400 Payment Entry	ORG/Acct Code	Debit	Credit
3/1/2015	Interest Expense	0004112-0832	\$294,468.75	
	Redemption of Principal Expense	0004112-0831	\$500,000.00	
	Cash	40-6101		\$794,468.75

Capital Lease Debt Payment Guidance and Entries

Districts are not required to record principal and interest payments on capital leases, such as KISTA bus capital leases or copier capital leases, in the debt service fund. Generally accepted accounting principles (GAAP) allow principal and interest payments on capital leases to be recorded either in the fund in which the lease is originally recorded or the debt service fund. (Principal and interest payments on operating leases are not to be recorded in the debt service fund.)

Capital Lease Payments Made Directly by the School District

Project numbers: Districts should use the following project codes for KISTA leases in MUNIS: BUS for buses, ENE for energy savings, and TECH for technology.

Sample entries: How to record KISTA bus capital lease purchases in MUNIS:

At the inception of the lease, the financing source and the asset must be recorded. Capital leases for the buses must be recorded in general fund to be captured for the SEEK transportation calculation.

How to record the following entry to record a capital lease for buses:

Entry:

Debit or Credit	ORG	Object Code description
Debit	9011096-0732	Vehicles (function 2740)
Credit	110-5500	Capital lease proceeds

How to record KISTA other capital lease purchases in MUNIS:

Debit expenditure org and expenditure object that describe the items being leased
 Credit capital lease proceeds

How to record KISTA capital lease payments in MUNIS:

The principal and interest payments made for KISTA bus capital leases may be recorded either in the fund in which the lease is recorded (typically the general fund) or in the debt service fund. Use the following entries, depending on where the district chooses to record the principal and interest payments:

If capital lease KISTA principal and KISTA interest payments will be recorded in general fund:

Entry:

Debit or Credit	ORG	Object Code description
Debit	0001112-0838	KISTA principal (function 5100)
Debit	0001112-0839	KISTA interest (function 5100)
Credit	10-6101	Cash

If capital lease KISTA principal and interest payments will be recorded in debt service fund:

Entry:

Debit or Credit	ORG	Object Code description
Debit	0004112-0838	KISTA Principal
Debit	0004112-0839	KISTA Interest
Credit	400-6101	Cash

ACCOUNTING GUIDANCE FOR DEBT SERVICE ON BONDS AND CAPITAL LEASES

If capital lease KISTA principal and interest payments is recorded in debt service fund for ENE:

Project numbers: Districts should use project code ENE for capital lease payments for energy savings capital leases.

Entry:

Debit or Credit	ORG	Object Code description
Debit	0004112-0838-ENE	KISTA Principal
Debit	0004112-0839-ENE	KISTA Interest
Credit	400-3900-ENE	On-behalf revenue

How to record other capital lease payments in MUNIS in fund 1 will be recorded:

Entry:

Debit or Credit	ORG	Object Code description
Debit	0001112-0831	Principal (function 5100)
Debit	0011112-0832	Interest (function 5100)
Credit	10-6101	Cash