



## 85.85 Liabilities and Equity - Illustrative Entries

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### 85.85.10 General

July 1, 2003

The entries in this section illustrate the recording of liabilities and equity in the accounting records. The entries are for illustrative purposes **only** and should **not** be considered all-inclusive. Entries posted to GL Code Series 71XX “In-Process” in treasury and treasury trust accounts also require an entry from the Office of the State Treasurer (OST) as illustrated below to clear the In-Process GL Codes.



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|  |     |     |
|--|-----|-----|
| In-Process (71XX)                                | Dr. | Cr. |
| Current Treasury Cash Activity (OST Only) (4310) | xxx | xxx |

## 85.85.15 Establishment of short-term liabilities

May 1, 1999

To record the accrual of expenditures/expenses for goods and services from a vendor invoice. Refer to [Subsection 85.70.20.c](#).

|   |     |     |
|---|-----|-----|
| Accrued Expenditures/Expenses (6505)          | Dr. | Cr. |
| Appropriate Short-Term Payable GL Code (51XX) | xxx | xxx |

## 85.85.20 Payment of short-term liabilities

May 1, 1999

To record payment of a short-term liability.

|   |     |     |
|---|-----|-----|
| Appropriate Short-Term Payable GL Code (51XX) | Dr. | Cr. |
| Cash in Bank (1110) or In-Process (71XX)      | xxx | xxx |
| Cash Expenditures/Expenses (6510)             | xxx |     |
| Accrued Expenditures/Expenses (6505)          |     | xxx |

## 85.85.22 Long-term to short-term reclassification

June 1, 2004

To record unavailable revenue. For example, taxes due are accrued but will not be collected within the next 12 months. Refer to [Subsection 85.70.50](#). May be used only in governmental fund type accounts.

|                            |     |     |
|----------------------------|-----|-----|
| Long-Term Liability (52XX) | Dr. | Cr. |
| Short-Term Payable (51XX)  | xxx | xxx |



## 85.85.24 Unavailable revenues

June 1, 2013

### 85.85.24.a

To record unavailable revenue. For example, under a sales tax deferral program, taxes are accrued but will not be collected within the next 12 months. Refer to [Subsection 85.70.40](#). May be used only in governmental fund type accounts.

|                            | Dr. | Cr. |
|----------------------------|-----|-----|
| Taxes Receivable (1611)    | xxx |     |
| Unavailable Revenue (5292) |     | xxx |

### 85.85.24.b

To record recognition of revenue once applicable recognition criteria have been met, i.e., taxes are collectible within the current period or soon enough after the end of the period to pay current liabilities.

|  | Dr. | Cr. |
|--|-----|-----|
| Unavailable Revenue (5292)   | xxx |     |
| Accrued revenue (3205) Revenue Source Code (01XX) appropriate tax revenue code |     | xxx |

## 85.85.25 Unearned revenues

June 1, 2015

### 85.85.25.a

To record unearned revenue. For example, cash received from students for tuition and fees paid in advance of providing services. Refer to [Subsection 85.70.45](#).

|  | Dr. | Cr. |
|--|-----|-----|
| Cash in Bank (1110) or In-Process (71XX) | xxx |     |
| Unearned Revenue (5190)                  |     | xxx |

### 85.85.25.b

To record recognition of revenue once earning process is complete.

|   | Dr. | Cr. |
|---|-----|-----|
| Unearned Revenue (5190)   | xxx |     |
| Cash Revenue (3210) Revenue Source Code (0424) Tuition and Fees |     | xxx |



## 85.85.30 Fund bond debt issuance and servicing

June 1, 2013

The following example is used to illustrate entries for recording the issuance and servicing of fund bond debt in a non-appropriated proprietary account. Generally, these bonds are revenue bonds. Refer to [Subsection 85.72.20.c](#).

An agency issues revenue bonds with:

- Par amount of \$5,000,
- Original issue discount (OID) of \$200,
- Underwriter’s discount (UD) of \$60, and
- Costs of issuance (COI) of \$20.

Details of the bond debt service are:

- 1st year \$500 principal, \$300 interest, and
- 2nd year \$600 principal.

**Note:** Original issue discount (OID) results when the par of the bond exceeds its purchase price. Original issue premium (OIP) results when the par of the bond is less than the purchase price. If deemed material, OID and OIP are deferred (using GL Codes 1910 “Unamortized Discount on Bonds Sold,” and 5910 “Unamortized Premiums on Bonds Sold” respectively) and amortized over the life of the bonds using GL Code 6512 “Amortization Expense” Subobject WB “Amortization.” Issuance costs, including underwriters’ discounts, are recorded as expenses using GL Code 6510 “Cash Expenditures/Expenses” and appropriate object codes such as C or E or Subobject PC “Other Debt Costs.” If the OIP or OID is deemed immaterial, it should be recorded in the same manner as the other issuance costs. Refer to [Subsection 85.72.20.c](#).

### 85.85.30.a

To record the issuance of the revenue bonds and payment of the costs of issuance.

|  | Dr.   | Cr.   |
|--|-------|-------|
| Cash in Bank (1110)                                  | 4,740 |       |
| Cash Expenditures/Expenses (6510) Subobject PC (UD)  | 60    |       |
| Unamortized Discount on Bonds Sold (1910) (OID)*     | 200   |       |
| Revenue Bonds Payable (5262) (Par)                   |       | 5,000 |
| Cash Expenditures/Expenses (6510) Subobject PC (COI) | 20    |       |
| Cash in Bank (1110)                                  |       | 20    |

\*If the bond had an OIP instead of an OID GL Code 5910 “Unamortized Premiums on Bonds Sold” would be credited and amortized over the life of the bond.



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## 85.85.30.b

To record as short term that portion of principal due within the next fiscal year.

|                              | Dr. | Cr. |
|------------------------------|-----|-----|
| Revenue Bonds Payable (5262) | 500 |     |
| Revenue Bonds Payable (5162) |     | 500 |

## 85.85.30.c

To record the payment of the first year's debt service.

|   | Dr. | Cr. |
|---|-----|-----|
| Revenue Bonds Payable (5162)                              | 500 |     |
| Cash Expenditures/Expenses (6510) (Subobject PB Interest) | 300 |     |
| Cash in Bank (1110)                                       |     | 800 |

## 85.85.30.d

To record annual amortization of original issue **discount** (OID) on a straight-line basis.

|  | Dr. | Cr. |
|--|-----|-----|
| Amortization Expense (6512) (Subobject WB) | 20  |     |
| Unamortized Discount on Bonds Sold (1910)  |     | 20  |

## 85.85.30.e

At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year. At fiscal year-end, the amount in GL Code 5162 should agree with the next year's principal payment on the bond amortization schedule.

|                              | Dr. | Cr. |
|------------------------------|-----|-----|
| Revenue Bonds Payable (5262) | 600 |     |
| Revenue Bonds Payable (5162) |     | 600 |

**Note:** If this were a **budgeted proprietary account**, bond proceeds would be recorded as revenue by a credit to GL Code 3210 "Cash Revenues," Revenue Source Code 0860 "Bonds Issued," and then adjusted for GAAP reporting purposes through GL Code 3225 "Revenue Adjustments/Eliminations (GAAP)," Revenue Source Code 0860 to GL Code 5162 "Revenue Bonds Payable ." Likewise, payments on bond principal would be initially recorded as expenditure by a debit to GL Code 6510 Subobject PA "Principal," and then adjusted for financial reporting purposes through GL Code 6525 "Expense Adjustments/Eliminations (GAAP)," Subobject PA to GL Code 5162.



## 85.85.35 General obligation bond debt issuance and servicing

Jan. 1, 2011

The following example is used to illustrate entries for recording the issuance and servicing of general bond debt:

- Par amount of \$5,000,
- Original issue premium (OIP) of \$200,
- Underwriter’s discount (UD) of \$60, and
- Costs of issuance (COI) of \$20.

Details of the bond debt service are:

- 1st year \$500 principal, \$300 interest, and
- 2nd year \$600 principal.

**Note:** Discounts that are related to underwriters’ fees are handled consistent with other issue costs. Original issue discount (OID) results when the par of the bond exceeds its purchase price. Original issue premium (OIP) results when the par of the bond is less than the purchase price. Costs of issuance (COI) are generally included in the proceeds and paid separately. Refer to [Subsection 85.72.20.c](#).

For purposes of this example, proceeds of the debt issue will be used to build a facility to house a general governmental agency. The COI for general obligation bond debt sold by the Office of the State Treasurer (OST) are always included in the proceeds and paid separately by OST.

### 85.85.35.a

To record the issuance of the bonds and payment of the costs of issuance.

#### Office of the State Treasurer:

#### State Building Construction Account (Account 057):

|   | Dr.   | Cr.   |
|---|-------|-------|
| Receipts In-Process (7110)  | 5,140 |       |
| Cash Expenditures/Expenses (6510)   |       |       |
| Subobject ER - Other Purchased Services (UD)  | 60    |       |
| Cash Revenues (3210) Revenue Source Code (0863)   |       |       |
| Original Issue Premium - Bonds (OIP)  |       | 200   |
| Cash Revenues (3210) Revenue Source Code (0860) Bonds Issued or (0864) Taxable Bonds Issued (Par) |       | 5,000 |
| Cash Expenditures/Expenses (6510) with appropriate subobject for COI                              | 20    |       |
| In-Process (71XX)   |       | 20    |



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## General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr.   | Cr.   |
|--|-------|-------|
| Amount to be Provided for Retirement of Long-Term Obligations (1820) (Par) | 5,000 |       |
| General Obligation Bonds Payable (5161)                                    |       | 500   |
| General Obligation Bonds Payable (5261)                                    |       | 4,500 |

**Note:** If bond proceeds are being distributed to accounts other than Account 057, the costs of issuance (COI) will be prorated to those accounts based on the portion of the par amount that they receive.

### 85.85.35.b

To record a debt service transfer from an operating (reimbursing) account, through the General Fund, and then to a debt service fund type account for a reimbursable bond.

#### Office of the State Treasurer (Agency 010):

##### Operating (Reimbursing) Account:

|   | Dr. | Cr. |
|---|-----|-----|
| Cash Revenues (3210) Revenue Source Code (0694)   |     |     |
| Operating Transfers - Debt Service Reimbursements | 800 |     |
| Journal Vouchers In-Process (7140)                |     | 800 |

##### General Fund (Account 001):

|   | Dr. | Cr. |
|---|-----|-----|
| Journal Vouchers In-Process (7140)                | 800 |     |
| Cash Revenues (3210) Revenue Source Code (0694)   |     |     |
| Operating Transfers - Debt Service Reimbursements |     | 800 |
| Cash Revenues (3210) Revenue Source Code (0694)   |     |     |
| Operating Transfers - Debt Service Reimbursements | 800 |     |
| Journal Vouchers In-Process (7140)                |     | 800 |

##### Debt Service Account (Account 381 or Account 383):

|   | Dr. | Cr. |
|---|-----|-----|
| Journal Vouchers In-Process (7140)                | 800 |     |
| Cash Revenues (3210) Revenue Source Code (0694)   |     |     |
| Operating Transfers - Debt Service Reimbursements |     | 800 |

### 85.85.35.c

If the bond payment does not relate to a reimbursable bond, then the debt service transfer is made directly from the General Fund to a debt service fund type account as follows:



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## Office of the State Treasurer (Agency 010):

### General Fund (Account 001):

|  | Dr. | Cr. |
|--|-----|-----|
| Cash Expenditures/Expenses (6510) Subobject MP |     |     |
| Interfund Transfers Out – Principal            | 500 |     |
| Cash Expenditures/Expenses (6510) Subobject MI |     |     |
| Interfund Transfers Out- Interest              | 300 |     |
| Journal Vouchers In-Process (7140)             |     | 800 |

### Debt Service Account (Account 3XX):

|  | Dr. | Cr. |
|--|-----|-----|
| Journal Vouchers In-Process (7140)             | 800 |     |
| Cash Expenditures/Expenses (6510) Subobject MC |     |     |
| Interfund Transfers In – Principal             |     | 500 |
| Cash Expenditures/Expenses (6510) Subobject MD |     |     |
| Interfund Transfers In – Interest              |     | 300 |

### General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr. | Cr. |
|--|-----|-----|
| Amount Available in Debt Service Funds (1810)                        | 800 |     |
| Amount to be Provided for Retirement of Long-Term Obligations (1820) |     | 800 |

### General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr. | Cr. |
|--|-----|-----|
| Amount Available in Debt Service Funds (1810)                        | 800 |     |
| Amount to be Provided for Retirement of Long-Term Obligations (1820) |     | 800 |

### 85.85.35.d

To record the first debt service payment.

### Debt Service Account (Account 3XX):

|  | Dr. | Cr. |
|--|-----|-----|
| Cash Expenditures/Expenses (6510) Subobject PA Principal | 500 |     |
| Cash Expenditures/Expenses (6510) Subobject PB Interest  | 300 |     |
| Journal Vouchers In-Process (7140)                       |     | 800 |





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## General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr. | Cr. |
|--|-----|-----|
| General Obligations Bonds Payable (5161)                             | 500 |     |
| Amount to be Provided for Retirement of Long-Term Obligations (1820) |     | 500 |
| Amount to be Provided for Retirement of Obligations (1820)           | 800 |     |
| Amount Available in Debt Service Funds (1810)                        |     | 800 |

### 85.85.35.e

At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year. At fiscal year-end, the amount in GL Code 5161 should agree with the next year's principal payment on the general obligation bonds amortization schedule.

## General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr. | Cr. |
|--|-----|-----|
| General Obligations Bonds Payable (5261) | 600 |     |
| General Obligations Bonds Payable (5161) |     | 600 |

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## 85.85.37 Right-to-use lease agreements and subscription-based IT arrangements

July 1, 2022

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### 85.85.37.a Governmental Fund Type Accounts

The following example is used to illustrate the entries for leased assets and subscription-based information technology arrangements (SBITAs) that meet the capitalization threshold in a governmental fund type account. Refer to [Subsections 85.60.65](#) and [85.72.25](#).

An agency operating from a governmental fund type account entered into an agreement to lease equipment for 60 months at the rate of \$10,000 per month. The current interest rate is 3 percent and the present value of the minimum lease payments is \$557,915 (annuity due). Since this lease meets the state's capitalization threshold, a lease liability and an intangible right-to-use asset must be recorded (refer to [Subsection 30.20.30](#) for further information on capitalization criteria for leases). Therefore, the entries to be recorded are as follows:

#### 85.85.37.a.(1)

To record the acquisition of an intangible right-to-use lease asset in the Operating Account equal to the value of the lease liability, and the lease asset and liability in the capital asset and long-term obligations subsidiary accounts.



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## Operating Account:

|   | Dr.     | Cr.     |
|---|---------|---------|
| Capital Asset Acquisitions by Other Financing Sources (6514) Subobject JS |         |         |
| – Intangible Lease and Subscription Asset Capital Outlay                  | 557,915 |         |
| Other Financing Sources (3221) Revenue Source Code (0810)                 |         |         |
| Right-to-Use Lease and Subscription Asset Acquisition                     |         | 557,915 |

## General Capital Assets Subsidiary Account (Account 997):

|   | Dr.     | Cr.     |
|---|---------|---------|
| Lease Asset - Equipment (2650)              | 557,915 |         |
| Investment in General Capital Assets (9850) |         | 557,915 |

## General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr.     | Cr.     |
|--|---------|---------|
| Amount to be Provided for Retirement of Long-Term Obligations (1820) | 557,915 |         |
| Right-to-Use Lease Liability (5174)                                  |         | 106,128 |
| Right-to-Use Lease Liability (5274)                                  |         | 451,787 |

### 85.85.37.a.(2)

To record the first month's payment of lease liability. Note: No interest is accrued because the first lease payment is made at the beginning of the first month of the lease.

## Operating Account:

|  | Dr.    | Cr.    |
|--|--------|--------|
| Cash Expenditures/Expenses (6510) Sub-subobject EH/H200 –      |        |        |
| Rentals and Leases – Furnishings and Equipment/Lease Principal | 10,000 |        |
| Cash in Bank (1110) or In-Process (71XX)                       |        | 10,000 |

To reduce the lease liability by the amount of periodic payment on the principal due. The entire payment is recorded to the current right-to-use lease liability.

## General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr.    | Cr.    |
|--|--------|--------|
| Right-to-Use Lease Liability (5174)                                  | 10,000 |        |
| Amount to be Provided for Retirement of Long-Term Obligations (1820) |        | 10,000 |

### 85.85.37.a.(3)

To record the second month's payment of lease liability. A portion of the payment is allocated to principal and a portion to interest based on the lease liability amortization schedule.



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## Operating Account:

|   | Dr.   | Cr.    |
|---|-------|--------|
| Cash Expenditures/Expenses (6510) Sub-subobject EH/H200 –<br>Rentals and Leases – Furnishings and Equipment/Lease Principal | 8,630 |        |
| Cash Expenditures/Expenses (6510) Sub-subobject EH/H201 –<br>Rentals and Leases – Furnishings and Equipment/Lease Interest  | 1,370 |        |
| Cash in Bank (1110) or In-Process (71XX)  |       | 10,000 |

To reduce the lease liability by the amount of periodic payment on the principal due. The amount to be recorded is the portion of the payment applicable to the principal.

## General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr.   | Cr.   |
|--|-------|-------|
| Right-to-Use Lease Liability (5174)                                  | 8,630 |       |
| Amount to be Provided for Retirement of Long-Term Obligations (1820) |       | 8,630 |

### 85.85.37.a.(4)

To record the amortization of the asset for the first month. Amortization should be calculated using the straight-line method over the shorter of the lease term or the useful life of the asset. *Note: amortization expense must be recorded at least annually.*

## General Capital Assets Subsidiary Account (Account 997):

|   | Dr.   | Cr.   |
|---|-------|-------|
| Depreciation/Amortization Expense (6591) (Subobject WA)   | 9,299 |       |
| Allowance for Amortization – Equipment Lease Asset (2660) |       | 9,299 |

### 85.85.37.a.(5)

To reclassify as short term that portion of the liability due within the next fiscal year. At fiscal year-end, the amount in GL Code 5174, should agree with the next year's principal payment on the agency's lease agreement amortization schedule.

## General Long-Term Obligations Subsidiary Account (Account 999):

|                                     | Dr.     | Cr.     |
|-------------------------------------|---------|---------|
| Right-to-Use Lease Liability (5274) | 107,922 |         |
| Right-to-Use Lease Liability (5174) |         | 107,922 |

### 85.85.37.a.(6)

To record a variable lease payment.



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## Operating Account:

|  | Dr. | Cr. |
|--|-----|-----|
| Cash Expenditures/Expenses (6510) Sub-subobject EH/H202 –<br>Rentals and Leases – Furnishings and Equipment/Variable Lease Payment | xxx |     |
| Cash in Bank (1110) or In-Process (71XX)   |     | xxx |

### 85.85.37.a.(7)

To remove a capital asset when the asset is returned to the lessor. If the lease is cancelled early and the asset was not fully amortized (i.e. the cost is greater than the accumulated amortization), debit GL Code 6597 "Capital Asset Adjustment (General Capital Assets Subsidiary Account Only)" for the difference between the initial cost of the asset and the accumulated amortization.

## General Capital Assets Subsidiary Account (Account 997):

|  | Dr.     | Cr.     |
|--|---------|---------|
| Allowance for Amortization – Equipment Lease Asset (2660)  | 455,630 |         |
| Capital Asset Adjustment (General Capital Assets Subsidiary Account Only)<br>(6597) Subobject WF | 102,285 |         |
| Lease Asset - Equipment (2650)   |         | 557,915 |

### 85.85.37.b Proprietary and Trust Fund Type Accounts

The following example is used to illustrate the entries for leased assets and subscription-based information technology arrangements (SBITAs) in proprietary and trust fund type accounts. Refer to [Subsections 85.60.65](#) and [85.72.25](#).

An agency operating from a proprietary fund type account entered into an agreement to lease equipment for 60 months at the rate of \$10,000 per month. The current interest rate is 3 percent and the present value of the minimum lease payments is \$557,915 (annuity due). Since this lease meets the state's capitalization threshold, a lease liability and an intangible right-to-use asset must be recorded (refer to [Subsection 30.20.30](#) for further information on capitalization criteria for leases). Therefore, the entries to be recorded are as follows:

### 85.85.37.b.(1)

To record the acquisition of an intangible right-to-use lease asset and the lease liability. The current lease liability represents that portion of the lease obligation due within one year and the long-term portion represents lease obligations maturing thereafter.

|                                     | Dr.     | Cr.     |
|-------------------------------------|---------|---------|
| Lease Asset - Equipment (2650)      | 557,915 |         |
| Right-to-Use Lease Liability (5174) |         | 106,128 |
| Right-to-Use Lease Liability (5274) |         | 451,787 |



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## 85.85.37.b.(2)

To record the first month's payment of lease liability. The entire payment is recorded to the current right-to-use lease liability. Note: No interest is accrued because the first lease payment is made at the beginning of the first month of the lease.

|  |        |        |
|--|--------|--------|
|  | Dr.    | Cr.    |
| Right-to-Use Lease Liability (5174)      | 10,000 |        |
| Cash in Bank (1110) or In-Process (71XX) |        | 10,000 |

Budgeted proprietary and trust fund type accounts require an additional entry to record the appropriated disbursement (GL Code 6510 entry) and an offsetting entry to eliminate the appropriated disbursement for financial reporting purposes (GL Code 6525 entry).

|   |        |        |
|---|--------|--------|
|   | Dr.    | Cr.    |
| Cash Expenditures/Expenses (6510) Sub-subobject EH/H200 – Rentals and Leases – Furnishings and Equipment/Lease Principal              | 10,000 |        |
| Expense Adjustments/Eliminations (GAAP) (6525) Sub-subobject EH/H200 – Rentals and Leases – Furnishings and Equipment/Lease Principal |        | 10,000 |

## 85.85.37.b.(3)

To record the second month's payment of lease liability. A portion of the payment is allocated to principal and a portion to interest based on the lease liability amortization schedule. The principal portion of the payment is recorded to the current right-to-use lease liability.

|   |       |        |
|---|-------|--------|
|   | Dr.   | Cr.    |
| Right-to-Use Lease Liability (5174)   | 8,630 |        |
| Cash Expenditures/Expenses (6510) Sub-subobject EH/H201 – Rentals and Leases – Furnishings and Equipment/Lease Interest | 1,370 |        |
| Cash in Bank (1110) or In-Process (71XX)  |       | 10,000 |

Budgeted proprietary and trust fund type accounts require an additional entry to record the appropriated disbursement (GL Code 6510 entry) and an offsetting entry to eliminate the appropriated disbursement for financial reporting purposes (GL Code 6525 entry). The amount to be recorded is the portion of the payment applicable to the principal.

|   |       |       |
|---|-------|-------|
|   | Dr.   | Cr.   |
| Cash Expenditures/Expenses (6510) Sub-subobject EH/H200 – Rentals and Leases – Furnishings and Equipment/Lease Principal              | 8,630 |       |
| Expense Adjustments/Eliminations (GAAP) (6525) Sub-subobject EH/H200 – Rentals and Leases – Furnishings and Equipment/Lease Principal |       | 8,630 |

## 85.85.37.b.(4)

To record the amortization of the asset for the first month. Amortization should be calculated using the straight-line method over the shorter of the lease term or the useful life of the asset. *Note: amortization expense must be recorded at least annually.*



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|   |       |       |
|---|-------|-------|
| Depreciation/Amortization Expense (6511) (Subobject WA)   | Dr.   | Cr.   |
| Allowance for Amortization – Equipment Lease Asset (2660) | 9,299 | 9,299 |

## 85.85.37.b.(5)

To reclassify as short term that portion of the liability due within the next fiscal year. At fiscal year-end, the amount in GL Code 5174, should agree with the next year’s principal payment on the agency’s lease agreement amortization schedule.

|                                     |         |         |
|-------------------------------------|---------|---------|
| Right-to-Use Lease Liability (5274) | Dr.     | Cr.     |
| Right-to-Use Lease Liability (5174) | 107,922 | 107,922 |

## 85.85.37.b.(6)

To record a variable lease payment.

|   |     |     |
|---|-----|-----|
| Cash Expenditures/Expenses (6510) Sub-subobject EH/H202 – Rentals and Leases – Furnishings and Equipment/Variable Lease Payment | Dr. | Cr. |
| Cash in Bank (1110) or In-Process (71XX)  | xxx | xxx |

## 85.85.37.b.(7)

To remove a capital asset when the asset is returned to the lessor. If the lease is cancelled early and the asset was not fully amortized (i.e. the cost is greater than the accumulated amortization), debit GL Code 3213 "Gains and Losses on Sales of Capital Assets" for the difference between the initial cost of the asset and the accumulated amortization.

|  |         |         |
|--|---------|---------|
| Allowance for Amortization – Equipment Lease Asset (2660)  | Dr.     | Cr.     |
| Gains and Losses on Sales of Capital Assets (3213) Revenue Source Code (0418) Gain or Loss on Sale of Capital Assets | 455,630 |         |
| Lease Asset – Equipment (2650)   | 102,284 | 557,915 |

## 85.85.37.c

### Leases and SBITAs that do not meet capitalization requirements

To record payments for leases and SBITAs that do not meet the capitalization requirements in [Subsection 30.20.30](#).

|  |     |     |
|--|-----|-----|
| Cash Expenditures/Expenses (6510) Subobject ED or other subobject as appropriate | Dr. | Cr. |
| Cash in Bank (1110) or In-Process (71XX)   | xxx | xxx |



## 85.85.37.d

### Acquisition of leased asset that originally did not meet the capitalization requirements

To record the fair value of the subsequent acquisition of non-capitalized leased assets upon transfer of title.

#### 85.85.37.d.(1)

##### Governmental Fund Type Accounts

An agency operating in a governmental fund type account records the fair value in Account 997 "General Capital Assets Subsidiary Account."

##### General Capital Assets Subsidiary Account (Account 997):

|   | Dr. | Cr. |
|---|-----|-----|
| Furnishings and Equipment (2410)            | xxx |     |
| Investment in General Capital Assets (9850) |     | xxx |

#### 85.85.37.d.(2)

##### Proprietary and Trust Fund Type Accounts

An agency operating in a proprietary or trust fund type account records the fair value in the operating account. Any lease payments made in the current biennium should be recorded as a recovery of expenditure (GL Code 6510 entry) and any lease payments made in prior biennia should be recorded as a recovery of prior expenditure authority (GL Code 3210, Revenue Source Code 0486 entry).

|  | Dr. | Cr. |
|--|-----|-----|
| Furnishings and Equipment (2410)   | xxx |     |
| Cash Expenditures/Expenses (6510) Subobject ED or other subobject as appropriate                       |     | xxx |
| Cash Revenues (3210) Revenue Source Code (0486) Recoveries of Prior Expenditure Authority Expenditures |     | xxx |

## 85.85.40 Lease-to-own agreements

July 1, 2021

### 85.85.40.a

#### Governmental Fund Type Accounts

The following example is used to illustrate the entries to record a lease-to-own agreement in a governmental fund type account. Refer to [Subsection 85.72.30](#).

An agency operating from the General Fund (governmental fund type account) entered into an agreement to lease a copy machine with a fair value of \$17,000 for 60 months at the rate of \$300 per month. The current interest rate is 4 percent and the present value of the minimum lease payments is \$16,344 (annuity



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due). Since the value of the asset meets the state’s capitalization threshold, this lease-to-own agreement must be capitalized (refer to [Subsection 30.20.30](#) for further information on capitalization criteria). The amount to be capitalized is \$16,344, which is the lesser of the fair value and the net present value. Therefore, the entries to be recorded are as follows:

### 85.85.40.a.(1)

To record the acquisition of a capital asset through a lease-to-own agreement in the Operating Account, and the asset and lease liability in the capital asset and long-term obligations subsidiary accounts.

#### Operating Account:

|   | Dr.    | Cr.    |
|---|--------|--------|
| Capital Assets Acquisition by Other Financing Sources (6514) Subobject JC |        |        |
| – Furnishings and Equipment or other appropriate subobject                | 16,344 |        |
| Other Financing Sources (3221) Revenue Source Code (0809)                 |        |        |
| Lease-to-Own Acquisition  |        | 16,344 |

#### General Capital Assets Subsidiary Account (Account 997):

|   | Dr.    | Cr.    |
|---|--------|--------|
| Furnishings and Equipment (2410)            | 16,344 |        |
| Investment in General Capital Assets (9850) |        | 16,344 |

#### General Long-Term Obligations Account Group (Account 999):

|  | Dr.    | Cr.    |
|--|--------|--------|
| Amount to be Provided for Retirement of Long-Term Obligations (1820) | 16,344 |        |
| Lease-to-Own Agreements Payable (5172)                               |        | 1,541  |
| Lease-to-Own Agreements Payable (5272)                               |        | 14,803 |

**Note:** Contact the Office of the State Treasurer for the current rate of interest for computing present value. Lease-to-own agreements are computed as annuities due because the payments are made at the first of the month; other capital purchases may be computed as ordinary annuities.

### 85.85.40.a.(2)

To record the first periodic payment of the lease-to-own agreement.

**Note:** No interest is accrued because the first lease payment is made at the beginning of the first month of the lease.

#### Operating Account:

|  | Dr. | Cr. |
|--|-----|-----|
| Cash Expenditures/Expenses (6510) Subobject PA - Principal | 300 |     |
| Cash in Bank (1110) or In-Process (71XX)                   |     | 300 |

To reduce the liability by the amount of periodic payment on the principal due. The entire payment is charged to the current lease-to-own agreements payable.





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## General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr. | Cr. |
|--|-----|-----|
| Lease-to-Own Agreements Payable (5172)                               | 300 |     |
| Amount to be Provided for Retirement of Long-Term Obligations (1820) |     | 300 |

### 85.85.40.a.(3)

To record the second periodic payment of the lease-to-own agreement. A portion of the payment is allocated to principal and a portion to interest based on the lease amortization schedule.

#### Operating Account:

|  | Dr. | Cr. |
|--|-----|-----|
| Cash Expenditures/Expenses (6510) Subobject PA - Principal | 247 |     |
| Cash Expenditures/Expenses (6510) Subobject PB - Interest  | 53  |     |
| Cash in Bank (1110) or In-Process (71XX)                   |     | 300 |

To reduce the liability by the amount of periodic payment on the principal due. The amount to be recorded is the portion of the payment applicable to the principal.

## General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr. | Cr. |
|--|-----|-----|
| Lease-to-Own Agreements Payable (5172)                               | 247 |     |
| Amount to be Provided for Retirement of Long-Term Obligations (1820) |     | 247 |

### 85.85.40.a.(4)

To reclassify as short term that portion of the liability due within the next fiscal year. At fiscal year-end, the amount in GL Code 5172, should agree with the next year's principal payment on the agency's lease agreement amortization schedule.

## General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr.   | Cr.   |
|--|-------|-------|
| Lease-to-Own Agreements Payable (5272) | 3,064 |       |
| Lease-to-Own Agreements Payable (5172) |       | 3,064 |

### 85.85.40.b Proprietary and Trust Fund Type Accounts

The following example is used to illustrate the entries to record a lease-to-own agreement in proprietary and trust fund type accounts. Refer to [Subsection 85.72.30](#).

An agency operating from a proprietary fund type account entered into an agreement to lease a copy machine with a fair value of \$17,000 for 60 months at the rate of \$300 per month. The current interest rate is 4 percent and the present value of the minimum lease payments is \$16,344 (annuity due). Since the value of the asset meets the state's capitalization threshold, this lease-to-own agreement must be



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capitalized (refer to [Subsection 30.20.30](#) for further information on capitalization criteria). The amount to be capitalized is \$16,344, which is the lesser of the fair value and the net present value. Therefore, the entries to be recorded are as follows:

### 85.85.40.b.(1)

To record the acquisition of a capital asset through a lease-to-own agreement and the lease liability. The current lease liability represents that portion of the lease obligation due within one year and the long-term portion represents lease obligations maturing thereafter.

|  | Dr.    | Cr.    |
|--|--------|--------|
| Furnishings and Equipment (2410)       | 16,344 |        |
| Lease-to-Own Agreements Payable (5172) |        | 1,541  |
| Lease-to-Own Agreements Payable (5272) |        | 14,803 |

**Note:** Contact the Office of the State Treasurer for the current rate of interest for computing present value. Lease-to-own agreements are computed as annuities due because the payments are made at the first of the month; other capital purchases may be computed as ordinary annuities.

### 85.85.40.b.(2)

To record the first periodic payment of the lease-to-own agreement. The entire payment is charged to the current lease-to-own agreements payable. Note: No interest is accrued because the first lease payment is made at the beginning of the first month of the lease.

|  | Dr. | Cr. |
|--|-----|-----|
| Lease-to-Own Agreements Payable (5172)   | 300 |     |
| Cash in Bank (1110) or In-Process (71XX) |     | 300 |

Budgeted proprietary and trust fund type accounts require an additional entry to record the appropriated disbursement (GL Code 6510 entry) and an offsetting entry to eliminate the appropriated disbursement for financial reporting purposes (GL Code 6525 entry).

|  | Dr. | Cr. |
|--|-----|-----|
| Cash Expenditures/Expenses (6510) Subobject PA - Principal | 300 |     |
| Expense Adjustments/Eliminations (GAAP) (6525)             |     |     |
| Subobject PA - Principal                                   |     | 300 |

### 85.85.40.b.(3)

To record the second periodic payment of the lease-to-own agreement. A portion of the payment is allocated to principal and a portion to interest based on the lease amortization schedule. The principal portion of the payment is recorded to the current lease-to-own agreements payable.

|   | Dr. | Cr. |
|---|-----|-----|
| Cash Expenditures/Expenses (6510) Subobject PB - Interest | 53  |     |
| Lease-to-Own Agreements Payable (5172)                    | 247 |     |
| Cash in Bank (1110) or In-Process (71XX)                  |     | 300 |



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Budgeted proprietary and trust fund type accounts require an additional entry to record the appropriated disbursement (GL Code 6510 entry) and an offsetting entry to eliminate the appropriated disbursement for financial reporting purposes (GL Code 6525 entry). The amount to be recorded is the portion of the payment applicable to the principal.

|  | Dr. | Cr. |
|--|-----|-----|
| Cash Expenditures/Expenses (6510) Subobject PA - Principal | 247 |     |
| Expense Adjustments/Eliminations (GAAP) (6525)             |     |     |
| Subobject PA - Principal                                   |     | 247 |

### 85.85.40.b.(4)

To reclassify as short term that portion of the liability due within the next fiscal year. At fiscal year-end, the amount in GL Code 5172 should agree with the next year's principal payment on the agency's lease agreement amortization schedule.

|  | Dr.   | Cr.   |
|--|-------|-------|
| Lease-to-Own Agreements Payable (5272) | 3,064 |       |
| Lease-to-Own Agreements Payable (5172) |       | 3,064 |

### 85.85.40.c Computation of Present Value Annuities

Any annuity is a series of equal payments made at regular intervals of time. The time intervals between payments are called payment periods. An annuity is a compound interest situation with periodic payments. When the payments are made at the end of the payment periods, the annuity is called an ordinary annuity. When the payments are made at the beginning of the payment periods, the annuity is called an annuity due.

Computation of present value may be achieved by use of the following formulas:

**Where:**

**Pv = present value factor**

**I = interest rate**

**n = number of periods**

**Ordinary Annuity/Present Value Formula** - A loan is a prime example of this annuity situation in which a sum of money is to be repaid with interest by certain payments for a fixed number of periods. The present value of the loan can be computed by multiplying the periodic loan payments by the present value factor. The present value factor is calculated by using the following formula:

$$Pv = \frac{1}{i} - \frac{(1+i)^n}{i}$$

**Annuity Due/Present Value Formula** - Rent or lease situations are common examples of this type of annuity. The present value of the rent or lease can be computed by multiplying the periodic rent/lease



payments by the present value factor. The present value factor is calculated by using the following formula:

(However, the formula need not be used, since tables showing present values computed with the formula at various interest rates are readily available.)

$$Pv = \frac{1}{i} - \frac{(1+i)^n}{i} \quad \text{and adding 1 to the computed amount}$$

## 85.85.45 Equipment Certificates of Participation (COP)

June 1, 2013

### 85.85.45.a Governmental Fund Type Accounts (Agency Entries)

The following example is used to illustrate entries for **equipment certificates of participation (COP)** in a **governmental** fund type account. Refer to [Subsection 85.72.40.c](#).

An agency operating in a governmental fund type account purchases a piece of equipment for \$10,000, and finances it with a COP.

Details of the COP issue are:

- Par amount of \$10,115,
- Original issue premium (OIP) of \$10,
- Underwriter's discount (UD) of \$50, and
- Costs of issuance (COI) of \$75.

Details of the COP debt service are:

- 1st year \$2,000 principal, \$600 interest, and
- 2nd year \$2,200 principal.

**Note:** The actual par value of the COP is slightly higher than the proceeds required by the agency to cover issue costs, such as costs of issuance (COI) and the original issue discount (OID) and underwriter's discount (UD). The OID, results when the par of the COP is more than the purchase price. Original issue premium (OIP) results when the par of the COP is less than the purchase price. Discounts that are related to underwriters' fees are handled consistent with other issue costs. COI are generally included in the proceeds and paid separately by OST. OST provides agencies with a statement detailing this information. The agency is to include the financing costs as part of the cost of the asset that is capitalized and depreciated.



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## 85.85.45.a.(1)

To record the COP liability, original issue discount, underwriter’s discount, and the expense of the costs of issuance (paid by OST). When the COP is sold by OST, it becomes an obligation of the agency even if the cash proceeds have not yet been received by the agency. The time period between the COP sale date and closing date is generally two weeks or less.

### Operating Account:

|   | Dr.    | Cr.    |
|---|--------|--------|
| Due from Other Agency – OST (1354)  | 10,000 |        |
| Capital Asset Acquisitions by Other Financing Sources (6514) Subobject PC |        |        |
| - Other Debt Costs (UD + COI)   | 125    |        |
| Other Financing Sources (3221) Revenue Source Code (0869)                 |        |        |
| Original Issue Premium - COPs (OIP)*                                      |        | 10     |
| Other Financing Sources (3221) Revenue Source Code (0807)                 |        |        |
| Certificates of Participation (Par)                                       |        | 10,115 |

\*If the COP had an OID instead of an OIP Revenue Source Code 0868 “Original Issue Discount - COPs” would be debited.

### General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr.    | Cr.   |
|--|--------|-------|
| Amount to be provided for retirement of Long-Term Obligations (1820) | 10,115 |       |
| Certificates of Participation Payable (5173)                         |        | 2,000 |
| Certificates of Participation Payable (5273)                         |        | 8,115 |

## 85.85.45.a.(2)

To record the agency’s purchase of equipment, the subsequent reimbursement with COP proceeds from OST, and the capitalization of the equipment in Account 997. The purchase of the equipment and the reimbursement from OST may be several months apart.

### Operating Account:

|   | Dr.    | Cr.    |
|---|--------|--------|
| Cash Expenditures/Expenses (6510) Object J - Capital Outlays*             | 10,000 |        |
| Cash in Bank (1110) or In Process (71XX)*                                 |        | 10,000 |
| Capital Asset Acquisitions by Other Financing Sources (6514) Subobject JC |        |        |
| - Furnishing and Equipment*   | 10,000 |        |
| Cash Expenditures/Expenses (6510) Object J - Capital Outlays*             |        | 10,000 |
| Cash in Bank (1110) or In Process (71XX)*                                 | 10,000 |        |
| Due from Other Agency – OST (1354)  |        | 10,000 |



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## General Capital Assets Subsidiary Account (Account 997):

|   | Dr.    | Cr.    |
|---|--------|--------|
| Furnishings and Equipment (2410)            | 10,115 |        |
| Investment in General Capital Assets (9850) |        | 10,115 |

\*If OST pays the vendor directly for the equipment, then the agency would not record the cash receipt or the cash disbursement entries (since there is no reimbursement to the agency). However, the agency would still record the capital acquisition in GL Code 6514 Subobject JC with the credit offset in GL Code 1354 "Due from Other Agency - OST."

**Note:** If a COP has been authorized and equipment costs are incurred in one fiscal year but the COP is not issued until the subsequent year, agencies should debit a receivable, such as GL Code 1352 "Due from Other Governments," and credit expenditures to GL Code 6510 in the year the equipment costs are initially incurred. When the COP is issued in the subsequent year, the agency should credit the GL Code 1352 and debit cash when the COP proceeds are received, along with a debit to GL Code 6514 Subobject JC with the offsetting credit to GL Code 3221 Revenue Source Code 0807.

### 85.85.45.a.(3)

To record the first year COP debt service payment (principal and interest).

#### Operating Account:

|   | Dr.   | Cr.   |
|---|-------|-------|
| Cash Expenditures/Expenses (6510) Subobject PD -<br>Principal COP Lease/Purchase Agreements | 2,000 |       |
| Cash Expenditures/Expenses (6510) Subobject PE -<br>Interest COP Lease/Purchase Agreements  | 600   |       |
| Cash in Bank (1110) or In-Process (71XX)  |       | 2,600 |

## General Long-Term Obligations Subsidiary Account (Account 999):

|   | Dr.   | Cr.   |
|---|-------|-------|
| Certificates of Participation Payable (5173)                            | 2,000 |       |
| Amount to be Provided for Retirement of Long-Term<br>Obligations (1820) |       | 2,000 |

### 85.85.45.a.(4)

At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year. At fiscal year-end, the amount in GL Code 5173 should agree with the next year's principal payment on the agency's COP amortization schedule.



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## General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr.   | Cr.   |
|--|-------|-------|
| Certificates of Participation Payable (5273) | 2,200 |       |
| Certificates of Participation Payable (5173) |       | 2,200 |

### 85.85.45.b Proprietary and Trust Fund Type Accounts (Agency Entries)

The following example is used to illustrate entries for equipment certificates of participation (COP) in a budgeted proprietary fund type account. Refer to [Subsection 85.72.40.c](#).

An agency operating in a proprietary fund type account purchases a piece of equipment for \$10,000, and finances it with a COP.

- Par amount of \$10,115,
- Original issue premium (OIP) of \$10,
- Underwriter’s discount (UD) of \$50, and
- Costs of issuance (COI) of \$75.

Details of the COP debt service are:

- 1st year \$2,000 principal, \$600 interest, and
- 2nd year \$2,200 principal.

**Note:** The actual par value of the COP is slightly higher than the proceeds required by the agency to cover issue costs, such as costs of issuance (COI) and original issue discount (OID). OID results when the par of the COP is more than the purchase price. Original issue premium (OIP) results when the par of the COP is less than the purchase price. Discounts that are related to underwriters’ fees are handled consistent with other issue costs. COI are generally included in the proceeds and paid separately by OST. OST provides agencies with a statement detailing this information. The agency is to include the financing costs as part of the cost of the asset that is capitalized and depreciated.

In proprietary fund type accounts COP issue costs, such as COI and UD are expensed using GL Code 6510 “Cash Expenditures/Expenses” Subobject PC “Other Debt Costs.”

If the OID or OIP is deemed material, it should be deferred using GL Code 1911 “Unamortized Discounts on Certificates of Participation” or GL Code 5920 “Unamortized Premiums on Certificates of Participation” respectively. The amount deferred should be amortized over the life of the COP using GL Code 6512 “Amortization Expense” Subobject WB “Amortization.” If the OIP or OID is deemed immaterial, it should be recorded in the same manner as the other issuance costs.

All of these entries are made in the agency’s **Operating Account**:



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## 85.85.45.b.(1)

To record the agency's purchase of equipment; the COP liability; the subsequent receipt of COP proceeds from OST; the elimination of the budgeted disbursement; and the capitalization of the equipment. When the COP is sold by OST, it becomes an obligation (liability) of the agency, even if the cash proceeds have not yet been received by the agency. The time period between the COP sale date and closing date is generally two weeks or less.

|   | Dr.    | Cr.    |
|---|--------|--------|
| Cash Expenditures/Expenses (6510) Subobject JC Furnishings and Equipment            | 10,000 |        |
| Cash in Bank (1110) or In-Process (71XX)  |        | 10,000 |
| Due from Other Agency – OST (1354)  | 10,000 |        |
| Cash Expenditures/Expenses (6510) Subobject PC - Other Debt Costs (UD + COI – OIP)* | 115    |        |
| Certificates of Participation Payable (5173)  |        | 2,000  |
| Certificates of Participation Payable (5273)  |        | 8,115  |

\*If the COP had an OID instead of an OIP, the OID amount would be added to the UD and COI.

|  |        |        |
|--|--------|--------|
| Cash in Bank (1110) or In-Process (71XX)   | 10,000 |        |
| Due from Other Agency – OST (1354)   |        | 10,000 |
| Furnishings and Equipment (2410)   | 10,115 |        |
| Expense Adjustment/Eliminations (GAAP) (6525) Subobject JC - Furnishings and Equipment |        | 10,000 |
| Expense Adjustment/Elimination (6525) Subobject PC – Other Debt Costs (UD + COI - OIP) |        | 115    |

## 85.85.45.b.(2)

To record the first year COP debt service payment (principal and interest) and the elimination of the budgeted principal expenditure.

|  | Dr.   | Cr.   |
|--|-------|-------|
| Cash Expenditures/Expenses (6510) Subobject PE – Interest COP Lease/Purchase Agreements              | 600   |       |
| Cash Expenditures/Expenses (6510) Subobject PD – Principal COP Lease/Purchase Agreements             | 2,000 |       |
| Cash in Bank (1110) or In-Process (71XX)   |       | 2,600 |
| Certificates of Participation Payable (5173)   | 2,000 |       |
| Expense Adjustment/Eliminations (GAAP) (6525) Subobject PD – Principal COP Lease/Purchase Agreements |       | 2,000 |





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## 85.85.45.b.(3)

At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year. At fiscal year-end, the amount in GL Code 5173 should agree with the next year's principal payment on the agency's COP amortization schedule.

|  | Dr.   | Cr.   |
|--|-------|-------|
| Certificates of Participation Payable (5273) | 2,200 |       |
| Certificates of Participation Payable (5173) |       | 2,200 |

## 85.85.45.c Office of the State Treasurer (Agency 010 Entries)

Using the same example as in [Subsection 85.85.45](#) above, an agency purchases a piece of equipment for \$10,000, and finances it with a COP.

- Par amount of \$10,115,
- Original issue premium (OIP) of \$10,
- Underwriter's discount (UD) of \$50, and
- Costs of issuance (COI) of \$75.

Details of the COP issue are:

- 1st year \$2,000 principal, \$600 interest, and
- 2nd year \$2,200 principal.

**Note:** The actual par value of the COP is slightly higher than the proceeds required by the agency to cover issue costs, such as the original issue discount (OID), the underwriter's discount (UD), and costs of issuance (COI). The COI is included in the proceeds but not the OID or the UD.

While agency entries differ if the equipment is acquired by a governmental or proprietary fund type account, the OST entries are the same.

## 85.85.45.c.(1)

To record the closing of the COP sale with the underwriter.

### Certificate of Participation and Other Financing – State (Account 739):

|   | Dr.    | Cr.    |
|---|--------|--------|
| Receipts-In-Process (7110) (Par +OIP - UD)            | 10,075 |        |
| Cash Revenues (3210) Revenue Source Code (0499) Other |        |        |
| Revenues (COI)  |        | 75     |
| Due to Other Agency (5154)                            |        | 10,000 |



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## 85.85.45.c.(2)

To distribute the COP proceeds to the state agency and pay the costs of issuance.

### Certificate of Participation and Other Financing – State (Account 739):

|   | Dr.    | Cr.    |
|---|--------|--------|
| Due to Other Agency (5154)  | 10,000 |        |
| In-Process (71XX)   |        | 10,000 |
| Accrued Expenditures/Expenses (6505) with appropriate subobject (COI) | 75     |        |
| Accounts Payable (5111) (COI)   |        | 75     |
| Cash Expenditures/Expenses (6510) (appropriate subobject) (COI)       | 75     |        |
| Accrued Expenditures/Expenses (6505) with appropriate subobject (COI) |        | 75     |
| Accounts Payable (5111) (COI)   | 75     |        |
| In-Process (71XX) (COI)   |        | 75     |

## 85.85.45.c.(3)

To record the receipt of the first debt service payment from an agency.

### Certificate of Participation and Other Financing – State (Account 739):

|  | Dr.   | Cr.   |
|--|-------|-------|
| In-Process (71XX)                                    | 2,600 |       |
| Due to Fiscal Agents (5130) (principal and interest) |       | 2,600 |

**Note:** OST temporarily invests the payments received from agencies for 30 days until the debt service payment is due to the fiscal agent. This activity is recorded by transferring In-Process (71XX) in and out of the Local Government Investment Pool (1206).

## 85.85.45.c.(4)

To record payment to the fiscal agent.

### Certificate of Participation and Other Financing – State (Account 739):

|                             | Dr.   | Cr.   |
|-----------------------------|-------|-------|
| Due to Fiscal Agents (5130) | 2,600 |       |
| In-Process (71XX)           |       | 2,600 |



## 85.85.50 Real Estate Certificates of Participation (COP)

July 1, 2021

### 85.85.50.a

#### Governmental Fund Type Accounts (Agency Entries)

The following example is used to illustrate entries for real estate certificates of participation (COP) in a governmental fund type account. Refer to [Subsection 85.72.40.d](#).

An agency operating in a governmental fund type account obtains proper legislative approval for construction of a new state office building and applies to the Office of the State Treasurer (OST) for COP financing. OST sells a COP. Proceeds of the COP are used to pay for construction costs and interest incurred during the construction period.

Details of the COP issue are:

- Par amount of \$73.6 million,
- Original issue premium (OIP) of \$.7 million,
- Underwriter's discount (UD) of \$.2 million,
- Costs of issuance (COI) of \$.1 million,
- COP proceeds for construction \$60 million,
- COP proceeds for interest costs \$14 million, and
- Net COP proceeds held by OST for the agency \$74 million (\$60 million for construction costs and \$14 million for construction period interest).

**Note:** Original issue discount (OID) results when the par of the COP is more than the purchase price. An OIP results when the par of the COP is less than the purchase price. Discounts that are related to underwriters' fees are handled consistent with other issue costs. COI are generally included in the proceeds and paid separately. OST receives cash proceeds for the COI, but not for the UD and the OID.

Details of the first year:

- \$10 million is expended on construction,
- Debt service is \$4 million, interest only, and
- Unspent construction funds earn \$.8 million in interest revenue.

Unspent proceeds are held by OST and invested in the Local Government Investment Pool (LGIP) or with a trustee.

**Note:** Construction period interest is recognized as an expense in the period incurred.

#### 85.85.50.a.(1)

To record the liability for the real estate COP, and the original issue premium, underwriter's discount, and the expense of the costs of issuance (paid by OST). When the COP is sold by OST, it becomes an



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obligation (liability) of the agency, even if the cash proceeds have not yet been received by the agency. The time period between the COP sale date and the closing date is generally two weeks or less.

## Construction Account:

|  | Dr.      | Cr.      |
|--|----------|----------|
| Due from Other Agency-OST (1354)   | 74.0 mil |          |
| Capital Asset Acquisitions by Other Financing Sources (6514 ) Subobject PC |          |          |
| – Other Debt Costs (UD + COI)  | .3 mil   |          |
| Other Financing Sources (3221) Revenue Source Code (0807)                  |          |          |
| Certificates of Participation (Par)  |          | 73.6 mil |
| Other Financing Sources (3221) Revenue Source Code (0869)                  |          |          |
| Original Issue Premium - COPs  |          | .7 mil   |

## General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr.      | Cr.      |
|--|----------|----------|
| Amount to be Provided for Retirement of Long-Term Obligations (1820) | 73.6 mil |          |
| Certificates of Participation Payable (5273)                         |          | 73.6 mil |

**Note:** Because interest only is due during the construction period, the entire obligation is initially coded long-term.

### 85.85.50.a.(2)

To record construction expenditures and reimbursement from OST.

## Construction Account:

|   | Dr.    | Cr.    |
|---|--------|--------|
| Cash Expenditures/Expenses (6510) Object J –Capital Outlays               | 10 mil |        |
| Cash in Bank (1110) or In-Process (71XX)                                  |        | 10 mil |
| Capital Asset Acquisitions by Other Financing Sources (6514) Subobject JF |        |        |
| - Buildings   | 10 mil |        |
| Cash Expenditures/Expenses (6510) Object J – Capital Outlays              |        | 10 mil |
| Cash in Bank (1110) or In-Process (71XX)                                  | 10 mil |        |
| Due from Other Agency – OST (1354)  |        | 10 mil |

**Note:** If a COP has been authorized and construction project costs are incurred in one fiscal year but the COP is not issued until the subsequent year, agencies should debit a receivable, such as GL Code 1352 Due from Other Governments, and credit expenditures to GL Code 6510 in the year the project costs are initially incurred. When the COP is issued in the subsequent year, the agency should credit the GL Code 1352 and establish the GL Code 1354 from the OST.



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## 85.85.50.a.(3)

To record first year interest-only debt service payment. This payment is made by OST from the COP proceeds held by OST to cover interest expense during the construction period.

### Construction Account:

|  | Dr.     | Cr.     |
|--|---------|---------|
| Cash Expenditures/Expenses (6510) Subobject PE –Interest COP |         |         |
| Lease-Purchase Agreements                                    | 4.0 mil |         |
| Due from Other Agency-OST (1354)                             |         | 4.0 mil |

## 85.85.50.a.(4)

To recognize interest earned on unspent COP proceeds held by OST and reported to the agency monthly.

### Construction Account:

|   | Dr.    | Cr.    |
|---|--------|--------|
| Due from Other Agency-OST (1354)                                  | .8 mil |        |
| Cash Revenues (3210) Revenue Source Code (0401) Investment Income |        | .8 mil |

## 85.85.50.a.(5)

To record an adjusting entry for construction in progress. At a minimum, this entry should be made at fiscal year-end. Construction in progress is equal to the sum of construction expenditures (\$10 million) and COI and UD(\$.3 million) less OIP (\$.7 million).

### General Capital Assets Subsidiary Account (Account 997):

|   | Dr.     | Cr.     |
|---|---------|---------|
| Construction in Progress (2510)             | 9.6 mil |         |
| Investment in General Capital Assets (9850) |         | 9.6 mil |

## 85.85.50.a.(6)

At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year. At fiscal year-end (based on the assumptions in 85.85.50.a.(7)), the amount in GL Code 5173 Certificates of Participation Payable should agree with the next year’s principal payment on the agency’s COP amortization schedule.

### General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr.     | Cr.     |
|--|---------|---------|
| Certificates of Participation Payable (5273) | 2.0 mil |         |
| Certificates of Participation Payable (5173) |         | 2.0 mil |



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## 85.85.50.a.(7)

In a subsequent period, assume that a debt service payment is scheduled:

- Principal \$2 million,
- Interest expense \$3.5 million, and
- Total COP debt service payment \$5.5 million.
- Payment components:
  - \$2 million is paid by OST from the remaining COP proceeds held by OST to cover interest incurred during the construction period,
  - \$1.1 million is paid by OST from interest earned on COP proceeds held by OST during the construction period,
  - \$2.4 million is paid in cash by the agency to OST, and
  - OST makes the full COP debt service payment of \$5.5 million to the fiscal agent.
- Refer to [Subsection 85.85.50.c.\(6\)](#).

### Construction Account:

|   | Dr.     | Cr.     |
|---|---------|---------|
| Cash Expenditures/Expenses (6510) Subobject PD -<br>Principal COP Lease-Purchase Agreements | 2.0 mil |         |
| Cash Expenditures/Expenses (6510) Subobject PE -<br>Interest COP Lease-Purchase Agreements  | 3.5 mil |         |
| Cash in Bank (1110) or In-Process (71XX)  |         | 2.4 mil |
| Due from Other Agency-OST (1354)  |         | 3.1 mil |

### General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr.     | Cr.     |
|--|---------|---------|
| Certificates of Participation Payable (5173)                         | 2.0 mil |         |
| Amount to be Provided for Retirement of Long-Term Obligations (1820) |         | 2.0 mil |

## 85.85.50.b Proprietary and Trust Fund Type Accounts (Agency Entries)

The following example is used to illustrate entries for **real estate** certificates of participation (COP) in a **budgeted proprietary** fund type account. Refer to [Subsection 85.72.40.c](#).

An agency operating in a budgeted proprietary fund type account obtains proper legislative approval for construction of a new state office building and applies to the Office of the State Treasurer (OST) for COP financing. OST sells a COP. Proceeds of the COP are used for to pay for construction costs and interest incurred during the construction period.

Details of the issue are:



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- Par amount of \$73.6 million,
- Original issue premium (OIP) of \$.7 million,
- Underwriter’s discount (UD) of \$.2 million,
- Costs of issuance (COI) of \$.1 million,
- COP proceeds for construction \$60 million,
- COP proceeds for interest costs \$14 million, and
- Net COP proceeds held by OST for the agency \$74 million (\$60 million for construction costs and \$14 million for construction period interest.

**Note:** Original issue discount (OID) results when the par of the COP is more than the purchase price. An OIP results when the par of the COP is less than the purchase price. Discounts that are related to underwriters’ fees are handled consistent with other issue costs. COI are generally included in the proceeds and paid separately. OST receives cash proceeds for the COI, but not for the UD and the OID.

Details of the first year:

- \$10 million is expended on construction,
- Debt service is \$4 million, interest only, and
- Unspent COP proceeds earn \$.8 million in interest revenue.

This example assumes that net construction period interest is material and is therefore capitalized, and that the OIP is immaterial, and therefore expensed. UD and COI are always expensed as issuance costs. (If the OIP had been deemed material, it would be deferred in GL Code 5920 “Unamortized Premiums on Certificates of Participation” and amortized over the life of the COP using GL Code 6512 “Amortization Expense” Subobject WB “Amortization”).

Unspent proceeds are held by OST and invested in the Local Government Investment Pool (LGIP) or with a trustee.

**Note:** Construction period interest is recognized as an expense in the period incurred.

### 85.85.50.b.(1)

To record the liability for the real estate COP, and the original issue premium, underwriter’s discount, and the expense of the costs of issuance (paid by OST). When the COP is sold by OST, it becomes an obligation (liability) of the agency, even if the cash proceeds have not yet been received by the agency. The time period between the COP sale date and the closing date is generally two weeks or less.

#### Agency Operating/Construction Account:

|   | Dr.    | Cr.      |
|---|--------|----------|
| Due from Other Agency-OST (1354)  | 74 mil |          |
| Cash Expenditures/Expenses (6510) Subobject PC – Other Debt Costs<br>( <i>UD + COI - OIP</i> )* |        | .4 mil   |
| Certificates of Participation Payable (5273) ( <i>Par</i> )                                     |        | 73.6 mil |

\*If the COP had an OID instead of an OIP, the OID amount would be added to the UD and COI.



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**Note:** Because interest only is due during the construction period, the entire obligation is initially coded long-term.

## 85.85.50.b.(2)

To record construction expenditures, reimbursement by OST, and elimination of budgeted expenditures.

### Agency Operating/Construction Account:

|   | Dr.     | Cr.    |
|---|---------|--------|
| Cash Expenditures/Expenses (6510) Object J - Capital Outlays                              | 10 mil  |        |
| Cash in Bank (1110) or In-Process (71XX)  |         | 10 mil |
| Cash in Bank (1110) or In-Process (71XX)  | 10 mil  |        |
| Due from Other Agency-OST (1354)  |         | 10 mil |
| Construction in Progress (2510)   | 9.6 mil |        |
| Expense Adjustment/Elimination (6525) Subobject PC – Other Debt Costs<br>(UD + COI - OIP) | .4 mil  |        |
| Expense Adjustment/Elimination (6525) Object J – Capital Outlays                          |         | 10 mil |

## 85.85.50.b.(3)

To record interest earned on unspent COP proceeds held by OST and reported to the agency monthly.

### Agency Operating/Construction Account:

|   | Dr.    | Cr.    |
|---|--------|--------|
| Due from Other Agency-OST (1354)                                  | .8 mil |        |
| Cash Revenues (3210) Revenue Source Code (0401) Investment Income |        | .8 mil |

## 85.85.50.b.(4)

To record first year interest expense only debt service payment – this payment is made by OST from the proceeds held by OST to cover interest expense during the construction period.

### Agency Operating/Construction Account:

|   | Dr.     | Cr.     |
|---|---------|---------|
| Cash Expenditures/Expenses (6510) Subobject PE – Interest COP |         |         |
| Lease/Purchase Agreements                                     | 4.0 mil |         |
| Due from Other Agency-OST (1354)                              |         | 4.0 mil |

Once the COP proceeds held by OST to cover interest expense during the construction period are expended, the interest payments will be paid by the agency to OST.

## 85.85.50.b.(5)

At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year. At fiscal year-end (based on the assumptions in 85.85.50.b.(6)), the amount in GL





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Code 5173 should agree with the next year’s principal payment on the agency’s COP amortization schedule.

### Agency Operating/Construction Account:

|  | Dr.     | Cr.     |
|--|---------|---------|
| Certificates of Participation Payable (5273) | 2.0 mil |         |
| Certificates of Participation Payable (5173) |         | 2.0 mil |

### 85.85.50.b.(6)

In a subsequent period, assume that a debt service payment is scheduled:

- Principal \$2 million,
- Interest expense \$3.5 million, and
- Total COP debt service payment \$5.5 million.

Payment components:

- \$2 million is paid by OST from the remaining COP proceeds held by OST to cover interest incurred during the construction period,
- \$1.1 million is paid by OST from interest earned on the COP proceeds held by OST during the construction period,
- \$2.4 million is paid in cash by the agency to OST,
- OST makes the full COP debt service payment of \$5.5 million to the fiscal agent.

Refer to Subsection 85.85.50.c.(6).

### Agency Operating/Construction Account:

|   | Dr.     | Cr.     |
|---|---------|---------|
| Cash Expenditures/Expenses (6510) Subobject PD – Principal COP Lease-Purchase Agreements  | 2.0 mil |         |
| Cash Expenditures/Expenses (6510) Subobject PE -Interest COP Lease-Purchase Agreements  | 3.5 mil |         |
| Cash in Bank (1110) or In-Process (71XX)  |         | 2.4 mil |
| Due from Other Agency – OST (1354)  |         | 3.1 mil |
| Certificates of Participation Payable (5173) Principal Expense Adjustments/Elimination (6525) Subobject PD - Principal COP Lease-Purchase | 2.0 mil |         |
|   |         | 2.0 mil |

### 85.85.50.c

#### Office of the State Treasurer (Agency 010 Entries)

Using the same example as in Subsection 85.85.50 a and b above, an agency obtains proper legislative approval for the construction of a new state office building and applies to the Office of the State Treasurer



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(OST) for COP financing. OST sells a COP. Proceeds of the COP are used to pay for construction costs and interest incurred during the construction period.

Details of the issue are:

- Par amount of \$73.6 million,
- Original issue premium (OIP) of \$.7 million,
- Underwriter’s discount (UD) of \$.2 million,
- Costs of issuance (COI) of \$.1 million,
- COP proceeds for construction \$60 million, and
- COP proceeds for interest costs \$14 million.

**Note:** Original issue discount (OID) results when the par of the COP is more than the purchase price. OIP results when the par of the COP is less than the purchase price. Discounts that are related to underwriters’ fees are handled consistent with other issue costs. COI are generally included in the proceeds and paid separately. OST receives cash proceeds for the COI, but not for the UD and the OID.

Details of the first year:

- \$10 million is expended on construction,
- Debt service is \$4 million, interest expense only, and
- Unspent COP proceeds earn \$.8 million in interest revenue.

The entries for OST are as follows:

All entries are made to Account 739 (Certificates of Participation and Other Financing Account - State):

### 85.85.50.c.(1)

To record the closing of the COP sale with the underwriter, and investment of the proceeds in the LGIP. OST receives cash for the construction proceeds, the interest expense due during construction, and the costs of issuance.

|  | Dr.      | Cr.      |
|--|----------|----------|
| Receipts-In-Process (7110) ( <i>Par + OIP – UD</i> )   | 74.1 mil |          |
| Due to Other Agency (5154)   |          | 74.0 mil |
| Cash Revenue (3210) Revenue Source Code (0499) Other Revenues ( <i>COI</i> )   |          | .1 mil   |
| Investments with Local Government Investment Pool (1206) or Cash and<br>Investments with Escrow Agents and Trustees (1140) | 74.0 mil |          |
| In-Process (71XX)  |          | 74.0 mil |



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## 85.85.50.c.(2)

To record payment of costs of issuance.

|   | Dr.    | Cr.    |
|---|--------|--------|
| Cash Expenditures/Expenses (6510) with the appropriate Subobject<br>In-Process (71XX) | .1 mil | .1 mil |

## 85.85.50.c.(3)

To record withdrawal from the LGIP (or trustee), and payment to the agency for construction costs incurred.

|  | Dr.    | Cr.    |
|--|--------|--------|
| Receipts-In-Process (7110)<br>Investments with Local Government Investment Pool (1206) or<br>Cash and Investments with Escrow Agents and Trustees (1140) | 10 mil | 10 mil |
| Due to Other Agency (5154)<br>In-Process (71XX)  | 10 mil | 10 mil |

## 85.85.50.c.(4)

To record interest earnings of \$.8 million on unspent COP proceeds.

|  | Dr.    | Cr.    |
|--|--------|--------|
| Investments with LGIP (1206)<br>Due to Other Agency (5154) | .8 mil | .8 mil |

## 85.85.50.c.(5)

To record the first debt service payment made to the fiscal agent by the OST on behalf of the agency. This first payment is made from the amount held by OST to cover interest expense during the construction period.

|   | Dr.     | Cr.     |
|---|---------|---------|
| In-Process (71XX)<br>Investments with Local Government Investment Pool (1206) or<br>Cash and Investments with Escrow Agents and Trustees (1140) | 4.0 mil | 4.0 mil |
| Due to Other Agency (5154)<br>Due to Fiscal Agent (5130)  | 4.0 mil | 4.0 mil |
| Due to Fiscal Agent (5130)<br>In-Process (71XX)   | 4.0 mil | 4.0 mil |

## 85.85.50.c.(6)

To record debt service in a subsequent period. OST receives a cash payment from an agency of \$2.4 million and uses the remaining COP proceeds held to cover interest expense during the construction



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period of \$2 million and the accumulated interest earned on the COP proceeds held on deposit of \$1.1 to pay the total debt service of \$5.5 million.

|                              | Dr.     | Cr.     |
|------------------------------|---------|---------|
| In-Process (71XX)            | 2.4 mil |         |
| Due to Fiscal Agent (5130)   |         | 2.4 mil |
| In-Process (71XX)            | 3.1 mil |         |
| Investments with LGIP (1206) |         | 3.1 mil |
| Due to Other Agency (5154)   | 3.1 mil |         |
| Due to Fiscal Agent (5130)   |         | 3.1 mil |
| Due to Fiscal Agent (5130)   | 5.5 mil |         |
| In-Process (71XX)            |         | 5.5 mil |

## 85.85.52 Real Estate Certificates of Participation (COP) refunding

June 1, 2013

### 85.85.52.a

#### Governmental Fund Type Accounts (Agency Entries)

The following example is used to illustrate entries for an **advance refunding** of a real estate certificate of participation (COP) in a governmental fund type account. Refer to [Section 85.72.40.f](#).

Details of the old (refunded) COP are:

- Principal balance \$250,000, and
- Interest due \$1,400

Details of the new (refunding) COP are:

- Principal balance \$239,000,
- Original issue premium (OIP) \$15,000,
- Underwriter's discount (UD) \$1,600,
- Costs of issuance (COI) \$1,000, and
- Total reacquisition price \$251,400 ( $\$239,000 + 15,000 - 1,600 - 1,000$ ).

#### 85.85.52.a.(1)

To record the liability for the new (refunding) COP, the original issue premium, underwriter's discount, and the expense of the costs of issuance (paid by OST), and the payment to the escrow agent bank. When the new COP is sold by OST, it becomes an obligation of the agency. An amount equal to the principal balance of the old (refunded) COP plus any interest due is sent to the escrow agent bank to refund the old



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COPs. When the old COP is refunded, it is no longer an obligation of the agency and it is removed from Account 999.

## Operating Account:

|  | Dr.     | Cr.     |
|--|---------|---------|
| Cash Revenue (3210) Revenue Source Code (0850) Payments to Refunded COP Escrow Agents (par of old COPs + interest due on the old COPs)** | 251,400 |         |
| Cash Revenue (3210) Revenue Source Code (0852) Underwriter's Discount/Costs of Issuance – Refunding COPs                                 | 2,600   |         |
| Cash Revenue (3210) Revenue Source Code (0854) Proceeds of Refunding COPs  |         | 239,000 |
| Cash Revenue (3210) Revenue Source Code (0853) Original Issue Premium – Refunding COPs*  |         | 15,000  |

\*If the COP had an Original Issue Discount (OID) instead of an OIP, Revenue Source Code 0851 "Original Issue Discount – Refunding COPs" would be debited.

\*\*If this was a **current refunding** of a COP (instead of an advance refunding), the amount to be paid to the escrow agent would be recorded as an expenditure to subobject PA "Principal" and/or PB "Interest."

## General Long-Term Obligations Subsidiary Account (Account 999):

|  | Dr.     | Cr.     |
|--|---------|---------|
| Certificates of Participation (5173/5273)                            | 250,000 |         |
| Amount to be Provided for Retirement of Long-Term Obligations (1820) |         | 250,000 |
| Amount to be Provided for Retirement of Long-Term Obligations (1820) | 239,000 |         |
| Certificates of Participation (5173/5273)                            |         | 239,000 |

### 85.85.52.b

#### Proprietary and Trust Fund Type Accounts (Agency Entries)

The following example is used to illustrate entries for an **advance refunding** of a real estate certificate of participation (COP) in a proprietary fund type account. Refer to [Section 85.72.40.f](#).

Details of the old (refunded) COP issue are:

- Principal balance \$251,000 (5 years remaining),
- Details of the new (refunding) COP are:
- Principal balance \$250,000 (10 years),
- Original issue premium (OIP) \$10,000 (assume material),
- Underwriter's discount (UD) \$2,600,



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- Costs of issuance (COI) \$2,400, and
- Total reacquisition price \$255,000 (\$250,000 +10,000 -2,600 – 2,400)

### 85.85.52.b.(1)

To record the new (refunding) COP, the removal of the old (refunded) COP, and the deferred amount on the COP refunding.

#### Operating/Construction Account:

|  | Dr.     | Cr.     |
|--|---------|---------|
| COP (old) Payable (5173/5273)  | 251,000 |         |
| Cash Expenditures/Expenses (6510) Subobject PC - Other Debt Costs (UD + COI) | 5,000   |         |
| Deferred Outflow on COP Refunding (1971)*                                    | 4,000   |         |
| COP (new) payable (5173/5273)  |         | 250,000 |
| Unamortized Premiums on COPs sold (5920)                                     |         | 10,000  |

\*If the deferred amount was a credit, it would be recorded to GL Code 5266 “Deferred Inflow on COP Refunding.”

### 85.85.52.b.(2)

To record the annual amortization of the Deferred Outflow on the COP Refunding on a straight-line basis over 5 years (the remaining life of the old COP).

|  | Dr. | Cr. |
|--|-----|-----|
| Amortization Expense (6512) Subobject WB | 800 |     |
| Deferred Outflow on COP Refunding (1971) |     | 800 |

### 85.85.52.b.(3)

To record the annual amortization of the original issue premium (OIP) on a straight-line basis over 10 years (the life of the new COP).

|  | Dr.   | Cr.   |
|--|-------|-------|
| Unamortized Premiums on COPs sold (5920) | 1,000 |       |
| Amortization Expense (6512) Subobject WB |       | 1,000 |

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## 85.85.60 Retention of payments

July 1, 2012

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To record entries related to payments on public works contracts including retained percentages. Refer to [Subsection 85.74.20](#).



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## 85.85.60.a Payment to Contractor

To record the amount paid to the contractor on a progress billing.

|                                   | Dr. | Cr. |
|-----------------------------------|-----|-----|
| Cash Expenditures/Expenses (6510) | xxx |     |
| In-Process (71XX) or              |     |     |
| Cash in Bank (1110)               |     | xxx |

## 85.85.60.b Retained in State Account

To record the amount retained by the state, in a treasury/treasury trust or local account, from a progress billing.

|                                     | Dr. | Cr. |
|-------------------------------------|-----|-----|
| Cash Expenditures/Expenses (6510)   | xxx |     |
| Retained Percentages Payable (5116) |     | xxx |

## 85.85.60.c Payment of Amounts Retained in State Account

To record the payment of amounts retained by the state in a treasury/treasury trust or local account.

|                                     | Dr. | Cr. |
|-------------------------------------|-----|-----|
| Retained Percentages Payable (5116) | xxx |     |
| In-Process (71XX) or                |     |     |
| Cash in Bank (1110)                 |     | xxx |

## 85.85.60.d Retained in Escrow or Interest Bearing Account

To record the amount of retained percentages placed in escrow or in an interest bearing account from a progress billing.

|   | Dr. | Cr. |
|---|-----|-----|
| Cash Expenditures/Expenses (6510)                           | xxx |     |
| In-Process (71XX) or  |     |     |
| Cash in Bank (1110)   |     | xxx |
| Cash and Investments with Escrow Agents and Trustees (1140) | xxx |     |
| Retained Percentages Payable (5116)                         |     | xxx |

## 85.85.60.e Payment of Amounts Retained in Escrow or an Interest Bearing Account

To record the payment of amounts retained in escrow or in an interest bearing account.

|   | Dr. | Cr. |
|---|-----|-----|
| Retained Percentages Payable (5116)                         | xxx |     |
| Cash and Investments with Escrow Agents and Trustees (1140) |     | xxx |



## 85.85.65 Claims and judgments

July 1, 2001

This illustrative entry of a claims liability displays the accrual of a dispute with the federal government over questioned program costs when it is probable that the state will be required to refund federal revenue. Refer to [Subsection 85.74.40](#).

**Note:** The second entry is made to reverse activity previously coded as federal, which is now supported by state funds.

|  | Dr. | Cr. |
|--|-----|-----|
| Cash Revenues (3210) Federal Source Code (03XX)                                  | xxx |     |
| Claims and Judgments Payable (5113)  |     | xxx |
| Cash Expenditures/Expenses (6510) Subobject (XX) (using a state appropriation)   | xxx |     |
| Cash Expenditures/Expenses (6510) Subobject (XX) (using a federal appropriation) |     | xxx |