

Coding Tip of the Month – May, 2014

Accounting entries for a Q debt serial bond is just the same as above stated entries for Capital Outlay Certificates.

Accounting entries for a term bond are quite different. With a term bond, rather than having an annual debt service payment from the Capital Outlay Fund the district will instead record a **TRANSFER OUT (8110)** and a **TRANSFER IN (5110)** to a Debt Service Fund (31, 32, etc.). GASB 54 requires the use of a debt service fund when a district has a term bond.

4) Capital Leases: an installment purchase of property rather than rental. A capital lease exists if **ANY** of the following conditions are met:

- The lease transfers ownership of the property at the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75% or more of the estimated economic life of the property.
- The sum of the principal lease payments equals 90% of the fair market value of the property.

Annual debt service payment:

Debit – 21, 5000, 611	XX
21, 5000, 612	XX
Credit – 21, 101	XX

Also remember.....outstanding principle balances of the long term debt should be recorded at year end in the General Long Term Liabilities Account Group (Fund 00).

501	Bonds Payable
502	Capital Outlay Certificates Payable
509	Other Long Term Liabilities (Capital Leases, etc.)