San Bernardino County Superintendent of Schools
Transforming lives through education

Ted Alejandre
County Superintendent

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To: Chief Business Officials & Directors of Fiscal Services
San Bernardino County School Districts (TK-12)

Subject: Accounting for the Sale of Long-Term Debt Instruments

Pursuant to EC Section 15100, et seq., and CSAM Section 700, the following information is provided to assist districts with proper recording of proceeds and costs associated with the sale of Long-Term Debt Instruments.

GO Bond proceeds must be recorded as instructed in CSAM Procedure 705. The following items must be recorded in the Building Fund (Fund 21):

1. Proceeds from the sale of bonds at Par or Face Value deposited to Proceeds from Sale of Bonds (object 8951).
2. Bond Insurance as a debit to Insurance (object 5400 series, Function 9100)
3. Costs of issuance as a debit to Professional/Consulting Services and Operating Expenditures (object 5800 series, function 9100).
4. Discount/Underwriter's Discount as a debit to All Other Financing Uses (object 7699, function 9100). Note that deducting the discount from any Bond Premium is prohibited by law (AG Opinion 14-202, May 19, 2022).

The entire Bond Premium must be deposited to the district's Bond Interest and Redemption Fund (fund 51) as All Other Financing Sources (object 8979) pursuant to EC 15146(g) and AG Opinion 14-202.

Leases and Subscription-Based Information Technology Arrangements (SBITAs) must be recorded as instructed in CSAM Procedure 710. Short-term leases (12 months or less) with no option to extend the lease should be recorded as lease expenditures in the 5600 object series. Leases other than short-term leases and leases that transfer ownership should be recorded as follows:

1. At the inception of the lease, record the entire principal of the lease asset as a debit to Lease Assets (object 6600 series) and as a credit to Proceeds from Leases (object 8972).
2. As lease payments are made, record as Debt Service Interest (object 7438) and Other Debt Service Principal (object 7439).
3. If a restricted resource is acquiring the asset, use the appropriate resource, goal, and function to record transactions.

Short-term SBITAs (12 months or less) should be recorded as expenditures based on the material being used. For example, record textbooks as Approved Textbooks (object 4100 series) and record internet-based or computer-based state-adopted curriculum using Professional/Consulting Services and Operating Expenditures (object 5800 series).

SBITAs other than short-term should be recorded as follows:

1. At the inception of the SBITA, record the entire principal of the asset as a debit to Subscription Assets (object 6700 series) and a credit to Proceeds from SBITAs (object 8974).
2. As subscription payments are made, record as Debt Service Interest (object 7438) and Other Debt Service Principal (object 7439).
3. Record the transactions using the appropriate fund, resource, goal, and function combination.

Tax and Revenue Anticipation Notes (TRANs) are short-term borrowing instruments issued to finance temporary cash shortfalls and are accounted for in the General Fund. CSAM Procedure 715 contains guidance on recording related transactions. Record the issuance of a TRANs as follows:

1. Record the Principal Value of the TRANs as a credit to Tax Anticipation Notes (object 9641).
2. Record administrative costs/cost of issuance as record as a debit to Professional/Consulting Services and Operating Expenditures (object 5800 series, function 9100).
3. Record any premium on the issuance as a credit to Interest (object 8660).

Repayment of the TRANs should be recorded as follows:

1. Record the Principal Value of the TRANs as a debit to Tax Anticipation Notes (object 9641).
2. Record interest costs as a debit to Professional/Consulting Services and Operating Expenditures (object 5800 series, function 9100).
3. Record interest earnings as a credit to Interest (object 8660).

Certificates of Participation (COPs) are a form of non-voter-approved long-term debt, usually issued for capital projects, such as construction, either as principal financing or bridge financing. CSAM Procedure 720 contains guidance on recording related transactions. Accounting for the issuance of COPs is as follows:

1. Record the Principal/Par Value of the COPs as a credit to Proceeds from COPs (object 8971).
2. Record accrued interest as a credit to Accounts Payable (object 9510).
3. Record other costs, such as underwriter's discount or costs of issuance, as a debit to Professional/Consulting Services and Operating Expenditures (object 5800 series, function 9100).
4. Record the transactions using the appropriate fund, resource, goal, and function combination.

Districts are encouraged to consult the CSAM Procedures and/or the BAS team prior to the date of issuance for guidance on the accounting treatments of these and other related transactions. If you have any questions, feel free to contact us at BAS@sbcss.net or 909-386-9676.

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Attachments: AG Opinion 14-202
CSAM Procedures 705, 710, 715, and 720