

Accounting and Reporting of Debt



Overview

Regulatory Basis of Accounting

- Prescribed by the State Examiner

Updates for 2019 Debt Reporting




2018 Regulatory Format


(and years prior)




STATE BOARD OF ACCOUNTS
 302 West Washington Street
 Room E418
 INDIANAPOLIS, INDIANA 46204-2769



2018 AFR Unit Questions



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Indiana State Board of Accounts

AFR Unit Questions ?

<p>5. Does your unit have any outstanding debt?</p> <p>Debt can be in the form of bonds, notes, loans, or judgments payable over more than one year. Leases are considered separately (see question 6 below).</p>	<p><input checked="" type="radio"/> Yes <input type="radio"/> No</p>
<p>6. Does your unit have any outstanding leases?</p> <p>A contract by which one party conveys land, property, services, etc., to another for a specified time, usually in return for a periodic payment.</p>	<p><input checked="" type="radio"/> Yes <input type="radio"/> No</p>



2018 AFR Debt Schedule

Gateway INDIANA
for government units

An Information for Indiana Data Site



Governmental Activities

Delete	Debt Class	Description or Purpose	Ending Principal Balance as of Dec. 31, 2018	Principal and Interest Due in 2019
X	Revenue Bonds	Econ Redev. Special Revenue Tax Bonds Series 2013A \$2,580,000 at Wynne Farms	\$2,010,000.00	\$187,590.00
X	General Obligation Bonds	2015 GO Bond-Mixed Use Development	\$1,445,000.00	\$224,500.00

WATER

Delete	Debt Class	Description or Purpose	Ending Principal Balance as of Dec. 31, 2018	Principal and Interest Due in 2019
X	Revenue Bonds	Waterworks Revenue Bonds for \$2,000,000 Series 2003	\$675,000.00	\$145,330.00



Audit Report Schedules

(2018 and years prior)

*Unaudited Supplementary Information

SCHEDULE OF LEASES AND DEBT December 31, 2017

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	2015 GO Bond-Mixed Use Development		\$ 1,820,000	\$ 228,300
General obligation bonds	2016 GO Bond-WWTP		2,000,000	234,600



Supplementary Information

OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Report information can be found on the Indiana Gateway for Government Units website: <https://gateway.ifonline.org/>.

The other information presented was approved by management of the Town. It is presented as intended by the Town.



Independent Auditor's Report

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.



2019 Updates

Audited Note Disclosure - Long Term Debt

- Changes in Long-term Debt
- Debt Service Requirement to Maturity



Debt Management Report

(information already submitted)

Reported by major class of long-term liabilities

Separated into Governmental Activities and Enterprise Activities

Separately reports the portion due of each debt type within one year from the end of the reporting period

Amortization Schedule



2019 Gateway Changes

	Debt Class	Description or Purpose	Beginning Principal	Additions	Reductions	Ending Principal Balance as of December 31, 201X	Principal and Interest Due in 201X
Governmental Activities							
Other Enterprise							
Other Enterprise							
Other Enterprise							



2019 Audit Reports

Note X. Long-term Debt

A. Changes in Long-term Debt

Changes in long-term obligations for the year ended December 31, 2019, are as follows:

	Beginning Balance 1/1/2019	Additions	Reductions	Ending Balance 12/31/19	Due Within One Year
Town (non-Utility)					
Revenue Bonds	\$ 605,000	\$ 72,756	\$ 92,756	\$ 585,000	\$ 42,526
Other Bonds	3,573,795	201,621	111,054	3,664,362	30,000
Water Utility					
Notes and Loans Payable	2,812,824	1,500,000	1,673,000	2,639,824	278,718
Wastewater Utility					
Revenue Bonds	2,750,000	3,000,000	3,137,000	2,613,000	191,560
Totals	\$ 9,741,619	\$ 4,774,377	\$ 5,013,810	\$ 9,502,186	\$ 542,804



2019 Audit Reports

B. Debt Service Requirements to Maturity

Debt service requirements on long-term debt at December 31, 2019, are as follows:

Town Debt Service (non-utility)

Year Ended

December 31

	Other Bonds		Total
	Principal	Interest	
2019	20,000	22,526	42,526
2020	30,000	22,101	42,101
2021	30,000	21,538	51,538
2022	30,000	20,751	50,751
2023-2017	150,000	19,851	49,851
2028-2032	180,000	83,504	233,504
2033-2035	125,000	51,291	231,291
	<u>565,000</u>	<u>241,562</u>	<u>701,562</u>



2018 AFR Unit Questions

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for government units

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AFR Unit Questions ?

5. Does your unit have any outstanding debt?

Debt can be in the form of bonds, notes, loans, or judgments payable over more than one year. Leases are considered separately (see question 6 below).

Yes No

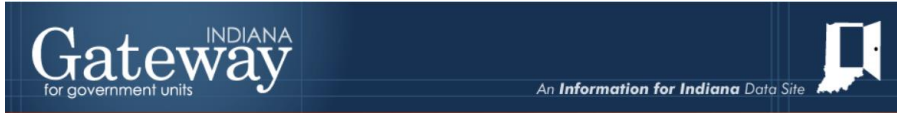
6. Does your unit have any outstanding leases?

A contract by which one party conveys land, property, services, etc., to another for a specified time, usually in return for a periodic payment.

Yes No



2018 AFR Lease Schedule



Leases ?

Governmental Activities

Delete	Lessor	Description or Purpose	Annual Lease Payment Due in 2019	Lease Beginning Date MM/DD/YYYY	Lease Ending Date MM/DD/YYYY
X	EDC Lease Rental Rev Ref Bonds of 2016	Northfield Drive - 56th to 267	\$784,000.00	08/30/2016	02/01/2029
X	EDC Lease Rental Bonds of 2015A \$7,575,000	Ronald Reagan	\$381,000.00	07/01/2015	08/01/2039
X	EDC Lease Rental Bonds of 2015A \$6,770,000	Tilden Road	\$514,000.00	07/01/2016	01/01/2035



Audit Report Schedules

(2018 and years prior)

*Unaudited Supplementary Information

SCHEDULE OF LEASES AND DEBT December 31, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Brownsburg Fire Station Building Corp \$1 460 000 First Mortgage Refunding Bond	Downtown Fire Station	\$ 164,000	7/1/2015	1/1/2025
Brownsburg Municipal Building Corp. 1st Mortgage Refunding Bonds Series 2013	Municipal Complex	1,181,000	7/15/2013	1/15/2025



Supplementary Information

OTHER INFORMATION - UNAUDITED

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Independent Auditor's Report

Other Matters

Other Information

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2019 Updates

Audited Note Disclosure - Leases

- General Description of Leasing Arrangements
- Principal and Interest Requirements to Maturity



2019 Audit reports

Note X. Leases

The Town has entered into capital lease for three police cars. The lease term began on January 15, 2017, and ends on July 15, 2021. The lease is being paid in semi-annual installments as defined in the schedule of rental payments of the lease agreement.

Principal and interest requirements to maturity as of December 31 2019, are as follows:

Year Ended December 31	Principal	Interest	Total
2019	\$ 14,988	\$ 1,186	\$ 16,174
2018	14,988	873	15,861
2020	14,988	565	15,553
2021	14,988	245	15,233
2022	14,988	123	15,111
2023-2027	<u>74,940</u>	<u>613</u>	<u>75,553</u>
Totals	<u>\$ 74,940</u>	<u>\$ 2,992</u>	<u>\$ 77,932</u>



Recap

Notes to the Financial Statements - Audited

Long Term Debt

- Changes in Long-term Debt
- Debt Service Requirement to Maturity

Leases

- General Description
- Principal and Interest Requirements to Maturity



Checklist - Long-Term Debt

- Identify long-term debt by major class
- Identify each major class by activity
- Determine the beginning balance of each debt class by activity
- Determine additions and reductions in long-term debt balances
- Determine the ending balance of each debt class by activity
- Determine the portion of each long-term debt type due within one year
- Complete Debt Management Report information
- Update Debt Management Report as needed



Audit Information - Long-Term Debt

- Bond Ordinances
- Debt Instruments with Amortization Schedules
- Ledger Balances and activity for each Bond Fund
- Bank Reconciliations
- Claims and Supporting Documentation for payments
- Internal Controls Over Financial Transactions and Reporting



Checklist - Leases

- General Description of Lease Arrangements
- Name of Lessor
- Lease Beginning Date
- Lease Ending Date
- Annual Lease Payment
- Complete Debt Management Report information
- Update Debt Management Report as needed



Audit Information - Leases

- Lease Agreements
- Claims and Supporting Documentation for payments
- Internal Controls Over Financial Transactions and Reporting



Contact Information

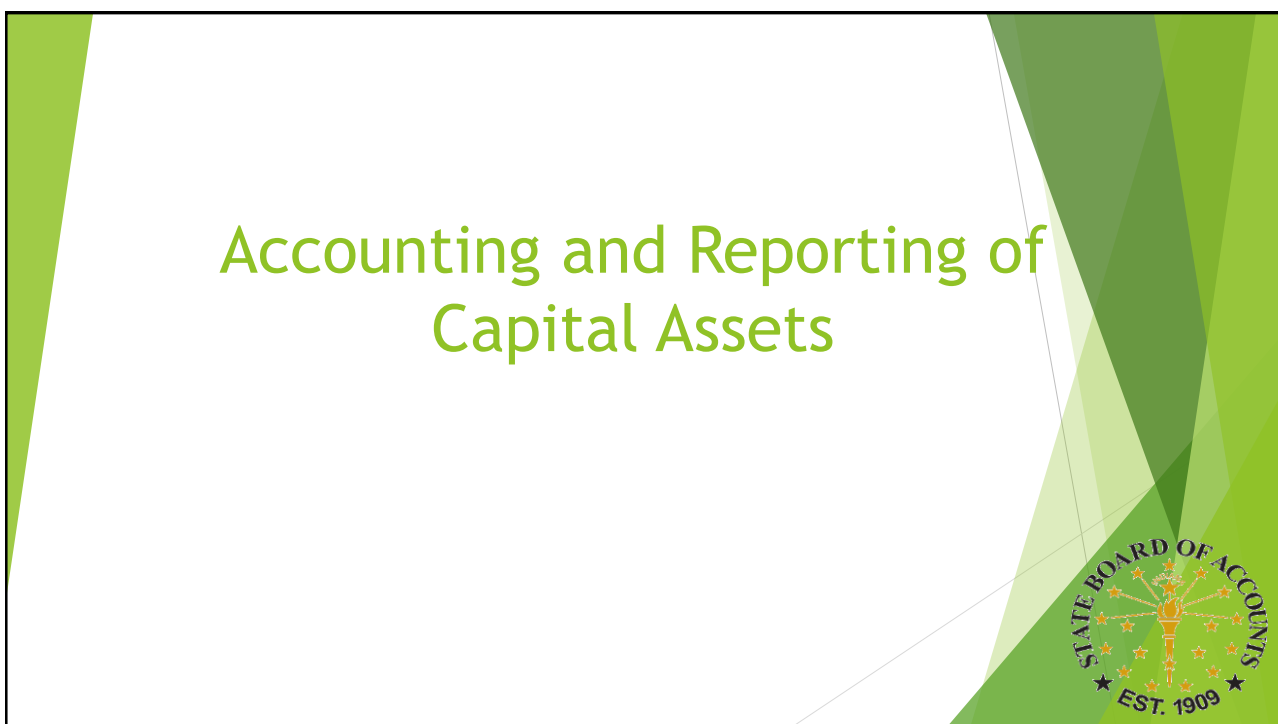
Pixabay.com

Todd Caldwell Susan Gordon

Cities and Towns email: Cities.towns@sboa.in.gov

Special Districts email: Specialdistricts@sboa.in.gov

Telephone: 317-232-2513





Introduction

Part One

- ▶ Updates to Regulatory Format
- ▶ Updates to Gateway Annual Financial Report (AFR)
- ▶ Capital Assets Ledger
- ▶ Internal Controls over Financial Transactions and Reporting

Part Two

- ▶ Capitalization Policy
- ▶ Classes of Capital Assets
- ▶ Valuation of Capital Assets
- ▶ Estimating Useful Lives



Overview

Regulatory Basis of Accounting

Prescribed by the State Examiner

Updates for 2019 Capital Asset Reporting



SBOA Accounting Guidelines

- ▶ Accounting and Uniform Compliance Guidelines Manuals
- ▶ Bulletins
- ▶ www.in.gov/sboa



Prescribed Form

CAPITAL ASSETS LEDGER

General Form No. 369 (Rev 2003)


FUND _____

DEPARTMENT OR BUILDING _____


Date of Purchase	Description of Asset	Serial Number	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade in	Types of Capital Assets					Total Capital Assets	
								Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress		



2018 Unit Questions



INDIANA
Gateway
for government units



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Board of Accounts

AFR Unit Questions ?

7. Do you maintain records listing the types and values of assets owned by the unit?

Assets include land, buildings, infrastructure, vehicles, equipment, etc.



2018 Gateway Reporting

Capital Assets ?

[Return to AFR Main Menu](#)

Using your Capital Asset records complete the Schedule of Capital Assets (land, building, equipment, etc) as of the end of the year. If you have infrastructure, but don't have valuations for it, submit the Annual Report with a temporary value of \$ 9.99 and estimate the value later. See [this page](#) for information on various methodologies for estimating the value of infrastructure. Once you have estimated the value, correct the Annual Report and resubmit.

Make sure to press the ENTER key on the keyboard after entering a number to make sure it is saved!

Government or Enterprise	Land	Infrastructure	Building	Improvements Other Than Buildings	Machinery, Equipment, and Vehicles	Construction In Progress	Books and Other
Governmental Activities	\$0.00	\$208,383.00	\$333,251.00	\$158,998.00	\$227,012.00	\$0.00	\$0.00
WASTEWATER UTILITY (Wastewater Utility)	\$8,223.00	\$351,065.00	\$312,935.00	\$512,080.00	\$581,027.00	\$0.00	\$0.00
WATER UTILITY (Water Utility)	\$894.00	\$434,725.00	\$122,478.00	\$9,596.00	\$189,264.00	\$0.00	\$0.00



2018 Regulatory Format

(and years prior)

*Unaudited Supplementary Information

*Ending Balance Only

*Compliance

SCHEDULE OF CAPITAL ASSETS December 31, 2017

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Infrastructure	\$ 208,383
Buildings	333,251
Improvements other than buildings	158,998
Machinery, equipment, and vehicles	227,012
Total governmental activities	927,644
Wastewater Utility:	
Land	8,223
Infrastructure	351,065
Buildings	312,935
Improvements other than buildings	512,080
Machinery, equipment, and vehicles	581,027
Total Wastewater Utility	1,765,330
Water Utility:	
Land	894
Infrastructure	434,725
Buildings	122,478
Improvements other than buildings	9,596
Machinery, equipment, and vehicles	189,264
Total Water Utility	756,957
Total capital assets	\$ 3,449,931



Supplementary Information

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Independent Auditor's Report

Other Matters

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2019 Updates

Capital Asset Additions and Reductions

Supplementary Information

Audit Procedures applied

Compliance



2019 Gateway reporting

Government or Enterprise	Beginning Balance January 1, 20XX	Additions	Reductions	Ending Balance December 31,
General Government Activities				
Land				
Infrastructure				
Building				
Improvements other than Buildings				
Machinery, Equipment and Vehicles				
Construction in Progress				
Books and Other				
Total				
Other Enterprise				
Total Capital Assets				



Beginning Balance 2019

► 2018 AFR Ending Balance

Government or Enterprise	Land	Infrastructure	Building	Improvements Other Than Buildings	Machinery, Equipment, and Vehicles	Construction In Progress	Books and Other
Governmental Activities	\$2,803,201.43	\$1,591,230.56	\$17,735,931.14	\$0.00	\$10,070,705.09	\$0.00	\$1,382,750.62
STORM WATER (Storm Water Utility)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WASTEWATER (Wastewater Utility)	\$196,503.00	\$4,280,304.73	\$16,086,540.45	\$0.00	\$968,092.15	\$16,000,000.00	\$809,021.11
WATER (Water Utility)	\$288,119.16	\$1,435,930.23	\$3,658,664.08	\$0.00	\$448,829.95	\$0.00	\$624,896.30



Beginning Balance 2019

▶ December 31, 2018 Capital Asset Ledger - Total Assets

Types of Capital Assets						Total Capital Assets
Land	Infrastructure	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	



Additions

Date of Purchase	Description Include: Name of Department or Office If General Fund	Serial/ Identification Number	Location of Asset	Original Cost of Asset	Estimated Life of Asset

Types of Capital Assets						Total Capital Assets
Land	Infrastructure	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	



Reductions

Date of Purchase	Description Include: Name of Department or Office if General Fund	Serial/ Identification Number	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade in

Types of Capital Assets

Land	Infrastructure	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	Total Capital Assets



Ending balance

Land	Infrastructure	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	Total Capital Assets



▶ Capital Assets Part II



How do we get started?

Gain an understanding of capital asset accounting

Implement Policies and Procedures

Maintain Capital Asset Ledger



What is a capital asset?

(GASB 34 para 19)

Land
Infrastructure
Buildings
Improvements other than Buildings
Machinery, Equipment & Vehicles
Construction in Progress
Books and Other

**used in operations
and
has a useful life
extending beyond
a single reporting
period*



Which capital assets go on the schedule?

Capitalization Policy

Classes of Assets

Resources



Prescribed Form

CAPITAL ASSETS LEDGER

General Form No. 369 (Rev 2003)

FUND _____

DEPARTMENT OR BUILDING _____

Date of Purchase	Description of Asset	Serial Number	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade in	Types of Capital Assets				Total Capital Assets	
								Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment		Construction in Progress



Valuation of Capital Assets

Historical Cost

Estimating Historical Cost

- “Going Price” at the time of acquisition
- Consumer Price Index calculation



ESTABLISHING THE ESTIMATED COST OF CAPITAL ASSETS

When it is not possible to determine the historical cost of capital assets owned by a governmental unit, the following procedure should be followed.

Develop an inventory of all capital assets which are significant for which records of the historical costs are not available. Obtain an estimate of the replacement costs of these assets. Through inquiry determine the year or approximate year of acquisition. Then multiply the estimated replacement cost by the factor for the year of acquisition from the Table of Cost Indexes. The resulting amount will be the estimated cost of the asset.

In some cases estimated replacement cost can be obtained from insurance policies; however, if estimated replacement costs are not available from insurance policies, you should obtain or make an estimate of the replacement costs.

If the replacement cost is estimated to be \$76,000.00 and the asset was constructed about 1930, then the estimated cost of the asset should be reported as \$5,320.00.

$$\$76,000.00 \times .07 = \$5,320.00$$

TABLE OF COST INDEXES
1922 to 2017

<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>
2017	1.00	1993	.59	1969	.15	1945	.07
2016	.98	1992	.57	1968	.14	1944	.07
2015	.97	1991	.56	1967	.14	1943	.07
2014	.97	1990	.53	1966	.13	1942	.07
2013	.95	1989	.51	1965	.13	1941	.06
2012	.94	1988	.48	1964	.13	1940	.06
2011	.92	1987	.46	1963	.12	1939	.06
2010	.89	1986	.45	1962	.12	1938	.06
2009	.88	1985	.44	1961	.12	1937	.06



Classes of Capital Assets

- Land
- Infrastructure
- Buildings
- Improvements other than Buildings
- Machinery, Equipment & Vehicles
- Construction in Progress
- Books and Other



Special Considerations

Repairs and Maintenance

Improvements

Impairments



Special Considerations

Donated Capital Assets

Construction

Trade In's



Estimating Useful Lives

Capital Assets Ledger

Documented Basis for Determination

Resources



Checklist

- ▶ Establish Capitalization Policy
- ▶ Maintain Capital Assets Ledger (prescribed form)
- ▶ Identify Capital Assets by Activity
- ▶ Identify Capital Assets by Major Class
- ▶ Confirm Beginning Balance for 2019
- ▶ Report Additions to Capital Assets
- ▶ Report Reductions in Capital Assets
- ▶ Compare Ending Balance to Capital Assets Ledger
- ▶ Document Basis for Valuation and Estimated Useful Life
- ▶ Establish Internal Controls



2019 Audit Information

- ▶ Capitalization Policy
- ▶ Capital Assets Ledger
- ▶ Supporting Documentation
- ▶ Documented Basis for Asset Valuation
- ▶ Documented Basis for Estimated Useful Lives
- ▶ Internal Controls



Sources

Bulletin and Uniform Compliance Guidelines

Cities and Towns: Establishing the Estimated Cost of Capital Assets, June 2018 p. 29

Cities and Towns: Inventories of Capital Assets, March 2014, p. 3

Special Districts: Inventories of Capital Assets, March 2019 p. 2

Special Districts: Establishing the Estimated Cost of Capital Assets, March 2019 p. 3

Accounting and Uniform Compliance Guidelines Manual

Cities and Towns: Depreciation of Utility Assets, p. 3-55; Estimated Useful Lives of Capital Assets p. 3-58

Special Districts: Capital Assets, p. 1-3

SBOA Best practices; www.in.gov/sboa

Government Accounting Standards Board, GASB 34, www.gasb.org

Government Finance Officers Association, www.gfoa.org

- ▶ *Estimated Useful Lives of Capital Assets*
- ▶ *Capitalization Thresholds for Capital Assets*
- ▶ *Control Over Items That are not Capitalized*
- ▶ *Accounting for Capital Assets: A Guide for State and Local Governments, Stephen J. Gauthier.*



Contact Information

Todd Caldwell

Susan Gordon

- ▶ Cities and Towns: cities.towns@sboa.in.gov
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- ▶ 317-232-2513