

NonExempt

COFRS ACCOUNTING MODEL

Accounting for Capital Leases in the Plant Fund

**For treatment of capital leases purchased in the current funds,
 please refer to COFRS Accounting Model YE5.**

*Used throughout the year to record capital lease activity.
 This presentation must be achieved at fiscal year-end.*

Authoritative Source(s): The Higher Education Financial Advisory Committee (FAC)
 GASB Statements No. 34 and 35
 AICPA College Audit Guide
 NACUBO Farm Manual

When the lessee capitalizes a lease, an asset and liability equal to the present value of rental payments is recorded. The lessee records depreciation expense. The rental payments are recorded as capital lease interest and a decrease in capital lease payable noncurrent.

Description	FUND/ AGENCY	APPROP CODE	PROGRAM CODE	ACCT TYPE	BSA/RSC/OBJ	Debit	Credit
1 Land	371/GXX	N/A	N/A	01	1800	\$100,000	
Buildings	371/GXX	N/A	N/A	01	1820	\$100,000	
Software	371/GXX	N/A	N/A	01	1842	\$100,000	
Furniture/Equipment	371/GXX	N/A	N/A	01	1840	\$100,000	
Capital Lease Payable-NonCurrent	371/GXX	N/A	N/A	02	2820		\$400,000
To record acquisition of capital asset by capital lease and the liability.							
2 Depreciation Expense	371/GXX	NAP	2035	22	4130	\$30,000	
Acc Dep-Buildings	371/GXX	N/A	N/A	01	1821		\$10,000
Acc Dep-Software	371/GXX	N/A	N/A	01	1847		\$10,000
Acc Dep-Equipment	371/GXX	N/A	N/A	01	1849		\$10,000
To record depreciation expense and increase accumulated depreciation.							

OPTION 1

The following entries will be made if cash is transferred from a operating fund to the plant fund for capital lease / interest payments.

Description	FUND/ AGENCY	APPROP CODE	PROGRAM CODE	ACCT TYPE	BSA/RSC/OBJ	Debit	Credit
1 OT Exempt DOHE Institution Internal	3XX/GXX *	LBAor NAP	9100	22	ABGC	\$42,000	
Cash	3XX/GXX *	N/A	N/A	01	1100		\$42,000
To record transfer of funds to plant fund from operating fund for capital lease/interest payment.							
2 Cash	371/GXX	N/A	N/A	01	1100	\$42,000	
OT Exempt DOHE Institution Internal	371/GXX	LBAor NAP	9100	31	ABGC		\$42,000
To record transfer of fund from operating fund to plant fund for capital lease/interest payment.							
3 Capital Lease Interest	371/GXX	NAP	4300	22	6820	\$2,000	
Capital Lease Payable-NonCurrent	371/GXX	N/A	N/A	02	2820	\$40,000	
Cash	371/GXX	N/A	N/A	01	1100		\$42,000
* Any Fund Other than 37X							

OPTION 2

The following entries will be made if capital lease/interest payments are made from an operating fund and the reduction of the liability and interest expense are recorded in the plant fund. These entries (coded A) for revenue and expense will have to be eliminated for financial statement presentation.

Description	FUND/ AGENCY	APPROP CODE	PROGRAM CODE	ACCT TYPE	BSA/RSC/OBJ	Debit	Credit
1 HE Capital Lease Elimination	3XX/GXX	A LBA/ NAP	1100-1900	22	ABGM*	\$42,000	
Cash	3XX/GXX	N/A	N/A	01	1100		\$42,000
To record the lease payment and interest expense as an operating expense.							
2 Capital Lease Interest	371/GXX	NAP	4300	22	6820	\$2,000	
Capital Lease Payable-NonCurrent	371/GXX	N/A	N/A	02	2820	\$40,000	
Miscellaneous Revenue Exempt	371/GXX	A NAP	0400	31	8301		\$42,000
To record interest expense, the reduction in capital lease payable, & a fund addition.							
3 Miscellaneous Revenue Exempt	399/GXX	NAP	0400	31	8301	\$42,000	
HE Capital Lease Elimination	399/GXX	LBA/ NAP	1100-1900	22	ABGM*		\$42,000
To record the entry to eliminate the operating expense in option 2, entry 1 and miscellaneous revenue option 2, entry 2.							

* Per the SCO: Transfer code ABGM is used as an offset to ensure a \$0 balance at FYE.