

**Exempt Institutions**  
**(100% of the institution qualifies as a TABOR designated enterprise.)**

**COFRS ACCOUNTING MODEL**  
**Accounting for Capital Leases**

*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	320/GXX		N/A	N/A	01	1800	\$100,000	
Buildings	320/GXX		N/A	N/A	01	1820	\$100,000	
Software	320/GXX		N/A	N/A	01	1842	\$100,000	
Furniture/Equipment	320/GXX		N/A	N/A	01	1840	\$100,000	
Capital Lease Payable-NonCurrent**	320/GXX		N/A	N/A	02	2820		\$400,000
To record acquisition of capital asset by capital lease and the liability.								
2 Depreciation Expense	320/GXX		NAP	1900/2035	22	4130	\$30,000	
Acc Dep-Buildings	320/GXX		N/A	N/A	01	1821		\$10,000
Acc Dep-Software	320/GXX		N/A	N/A	01	1847		\$10,000
Acc Dep-Equipment	320/GXX		N/A	N/A	01	1849		\$10,000
To record depreciation expense and increase accumulated depreciation.								

**OPTION 1**

Description	FUND/ AGENCY		APPROP CODE	PROGRAM CODE	ACCT TYPE	BSA/RSC/OBJ	Debit	Credit
1 OT Exempt DOHE Institution Internal	320/GXX		NAP	1100/1900	22	ABGC/AAGB	\$42,000	
Cash	320/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	320/GXX		N/A	N/A	01	1100	\$42,000	
OT Exempt DOHE Institution Internal	320/GXX		NAP	1900	31	ABGC/AAGB		\$42,000
To record transfer of fund from operating fund to plant fund for capital lease/interest payment.								
3 Capital Lease Interest	320/GXX		NAP	1900	22	6820	\$2,000	
Capital Lease Payable-NonCurrent**	320/GXX		N/A	N/A	02	2820	\$40,000	
Cash	320/GXX		N/A	N/A	01	1100		\$42,000
To record lease principal and interest payment								

**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 in the institution's internal system. The entries (marked with A) for revenue and expense are eliminated for financial statement presentation in entry 3.**

Description	FUND/ AGENCY		APPROP CODE	PROGRAM CODE	ACCT TYPE	BSA/RSC/OBJ	Debit	Credit
1 HE Capital Lease Elimination	320/GXX	A	NAP	1100/1900	22	ABGM*	\$42,000	
Cash	320/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	320/GXX		NAP	1900	22	6820	\$2,000	
Capital Lease Payable-NonCurrent**	320/GXX		N/A	N/A	02	2820	\$40,000	
Miscellaneous Revenue Exempt	320/GXX	A	NAP	1900	31	8301		\$42,000
To record interest expense, the reduction in capital lease payable, & a fund addition.								
3 Miscellaneous Revenue Exempt	399/GXX		NAP	1900	31	8301	\$42,000	
HE Capital Lease Elimination	399/GXX		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 OSC: Transfer code ABGM is used as an offset to ensure a \$0 balance at FYE.

\*\* Current portion of lease payables should be reclassified at FYE.