ACCOUNTING INTERPRETATION NO. 8

Subject: Accounting for Capital Outlay Certificates

SDCL 13-16-6 requires that the payment of the principal and interest on Capital Outlay Certificates issued pursuant to 13-16-6.2 be paid from the Capital Outlay Fund. In addition SDCL 13-16-8 requires that money received from the sale of Capital Outlay Certificates be placed in the Capital Outlay Fund. This requires the sale and retirement of the certificates, as well as the construction, to be accounted for within the Capital Outlay Fund.

The following accounting procedures should be used:

(1) When the certificates are sold, place the proceeds in the Capital Outlay Fund.

(2) Record the amount of Debt Payable and the Amount to be Provided in the General Long-Term Liability Accounts.

(3) Pay all construction costs from the Capital Outlay Fund.

(4) Levy the taxes to retire the certificates in the Capital Outlay Fund, and receipt taxes into the Capital Outlay Fund.

(5) Redeem the certificates from the Capital Outlay Fund and at the same time in the General Long-Term Liability Accounts reduce the Certificates Payable and the Amount to be Provided accounts.

An optional procedure for the construction of major capital facilities would be to replace the above procedures number one and three as follows:

(1) When the certificates are sold, place the proceeds in a newly established Capital Projects Fund.

(3) Pay all construction costs from the Capital Projects Fund.

An optional procedure to account for the repayment of the general long-term debt would be to replace the above procedures number four and five as follows:

(4) Levy the taxes to retire the certificates in the Capital Outlay Fund, and receipt the taxes in the Capital Outlay Fund. Monthly make an operating transfer to a newly established Capital Outlay Certificate Debt Service Fund.

(5) Redeem the certificates from the Debt Service Fund and at the same time in the General Long-Term Liability Accounts, reduce the certificates payable and the Amount to be Provided accounts.

There is no need for a separate receipt book, receipt journal, check register and general journal. All transactions should be accounted for within the existing accounting documents.