

The George Washington University Debt Service Narrative

Background

The liabilities related to bonds issued or debt incurred by the University is generally recorded in separate general ledger accounts and one funding source, PA00005.

Loan issuance costs are currently recorded within a single general ledger account and one funding source (PA00005). Detailed amortization schedules for the loan issuance costs of each debt issue are maintained outside of the General Ledger on Excel worksheets.

Debt Service transactions currently are recorded using various accounts and funding sources. External debt principal transactions and loan issuance costs are recorded using PA00005 and interest expenses use several funding sources. Internal debt principal and interest transactions are recorded to PA00021. Because of current accounting procedures, a user must print multiple reports and review each transaction in each account and funding source to identify and reconcile debt service activity (principal, interest, unamortized and amortized issuance costs) for each debt issue.

Proposal

Capital/Investment Reporting (CIR) proposes that at the beginning of FY10, each debt instrument be given a separate PD funding source.

- The first benefit of this move would be to eliminate some of the “clutter” in PA00005.
- The second and larger benefit is that in order to reconcile the information related to a single debt instrument, the user would need one General Ledger report (by Funding source number). For funding purposes, the Budget Office would be able to run a list of PD funding sources to verify the amount needed to fund each debt instrument. To simplify matters, CIR can provide the Budget Office with a quarterly detail report showing all the charges that have been entered in each of the PD funds.

Attachments

1) Fund Balances in PD – This report reflects the different debt instruments, an example of the PD fund that would be used, the various accounts that have activity related to that debt instrument, and the balances as of April 30th, 2009.

2) 329 G/L Detail Report (1999 Series A Bond) – This report is an example of what the G/L Detail would look like if the proposal is enacted. All the activity from the one debt instrument is captured using one PD fund.

3) FY09 Monthly Debt Detail – This report represents the proposed report CIR would provide to the Budget Office to show the activity in each of the debt service funds. The

Budget Office could use this report to fund the individual debt instrument payments and amortizations.

4) Mapping Chart – This report reflects the different debt instruments, the various accounts that have activity related to that debt instrument, and the funding sources that were used in the past for debt activity and proposed new funding sources for debt activity.

Internal Advances

The University also charges the operating budget for principal and interest on internal advances (loans from University general funds for capital projects). Treasury Management maintains an amortization schedule of this internal debt service, which uses a blended interest rate based on the current interest rates for taxable pool debt (2002, 2007 and 2009 Bonds). With the exception of interest charges, internal advance activity is tracked in funding source PA00021 via the following accounts:

- 58962 – Borrowing
- 58921 – Debt Service Principal Payments
- 58955/58956 – Other Funding Transactions
- 52415 – Capital Interest

Internal advance interest payments are made to General Reserves funding source PA00004 via account 58921.

The funding needed for internal advances debt service is provided from Treasury Management and recorded by

- Endowment Property Accountant: For the “taxable pool” portion of real estate debt service
- Medical Center: For the “taxable pool” portion of Medical Center debt service
- University Budget Office: For the remaining amount needed as per Treasury Management

January 1, 2010